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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New Ray Medicine International Holding Limited (“Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION –
FORMATION OF JOINT VENTURE
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

VEDA | CAPITAL
智略資本

A letter from the Independent Board Committee is set out on page 16 of this circular and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 29 of this circular.

A notice convening the SGM to be held at 1/F., Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong on Friday, 13 February 2015 at 9:00 a.m. (and immediately after the conclusion of the special general meeting of the Company convened to be held at 9:00 a.m. on the same day or the adjourned meeting thereof for approving the refreshment of the general mandate of the Company and the increase in authorised share capital of the Company) is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use by the shareholders at the SGM is enclosed herein.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the “Latest Company Announcements” page of the website of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the website of the Company at <http://www.newraymedicine.com>.

27 January 2015

CHARACTERISTICS OF GEM

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Brilliant Dream”	Brilliant Dream Holding Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company and being a party to the JV Agreement
“Business Day”	a day (excluding a Saturday, Sunday or public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Capital Contribution”	the contribution of the proposed initial issued share capital of the JV Company in cash as to 80% (i.e. HK\$8) by Sharp Shine and as to 20% (i.e. HK\$2) by Brilliant Dream
“Company”	New Ray Medicine International Holding Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on GEM
“connected person(s)”	has the meaning as ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders on the terms of the JV Agreement and the transactions contemplated thereunder (including the provision of the relevant portion of the Capital Contribution and the Initial Shareholders’ Loan (where applicable) to the JV Company)
“Independent Shareholders”	shareholders of the Company other than Town Health Pharmaceutical and its associates
“Initial Shareholders’ Loan”	the interest-free initial shareholders’ loan in the aggregate sum of up to HK\$300 million to be provided by Sharp Shine and Brilliant Dream to the JV Company in the proportion of 80:20 and on terms to be agreed between the parties to the JV Agreement
“JV Agreement”	the joint venture agreement dated 11 December 2014 entered into between Sharp Shine and Brilliant Dream in relation to, among other matters, the formation of the JV Company
“JV Company”	a company to be incorporated in the BVI with limited liability pursuant to the JV Agreement and to be held as to 80% by Sharp Shine and 20% by Brilliant Dream
“Latest Practicable Date”	23 January 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2015 (or such other date as may be agreed between the parties to the JV Agreement in writing)
“PRC”	the People’s Republic of China
“Proposed Business”	to invest in medical and healthcare related business in the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company convened to be held at 1/F., Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong on Friday, 13 February 2015 at 9:00 a.m. (and immediately after the conclusion of the special general meeting of the Company convened to be held at 9:00 a.m. on the same day or the adjourned meeting thereof for approving the refreshment of the general mandate of the Company and the increase in authorised share capital of the Company) for the Independent Shareholders to consider and, if thought fit, approve the JV Agreement and the transactions contemplated thereunder (including the provision of the relevant portion of the Capital Contribution and the Initial Shareholders’ Loan (where applicable) to the JV Company)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sharp Shine”	Sharp Shine International Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of Town Health and being a party to the JV Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning as ascribed to it in the GEM Listing Rules
“Town Health”	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Town Health BVI”	Town Health (BVI) Limited, the holding company of Town Health Pharmaceutical
“Town Health Group”	Town Health and its subsidiaries

DEFINITIONS

“Town Health Pharmaceutical”	Town Health Pharmaceutical Limited, a substantial shareholder of the Company and an indirect wholly-owned subsidiary of Town Health
“Veda Capital” or “Independent Financial Advisor”	Veda Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser which has been appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the JV Agreement and the transactions contemplated thereunder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhou Ling (*Chairman*)
Mr. Dai Haidong (*Chief Executive Officer*)
Ms. Yang Fang
Mr. Lee Chik Yuet

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Ho Hau Cheung, *BBS, MH*
Mr. Sung Hak Keung Andy
Mr. Leung Chi Kin

Headquarter:

B-C, 37/F.
Dikai International Center
19 Dangui Road
Hangzhou, PRC

Principal place of business in Hong Kong:

Room 517, 5th Floor
Town Health Technology Centre
10-12 Yuen Shun Circuit
Siu Lek Yuen, Shatin
New Territories, Hong Kong

27 January 2015

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE AND CONNECTED TRANSACTION – FORMATION OF JOINT VENTURE

INTRODUCTION

Reference is made to the announcement of the Company dated 11 December 2014 in which the Company announced that on 11 December 2014 (after trading hours), the Group and the Town Health Group entered into the JV Agreement to form the JV Company which will be owned as to 80% by the Town Health Group and as to 20% by the Group. The formation of the JV Company and the transactions contemplated under the JV Agreement constitutes a discloseable and non-exempt connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information regarding the JV Agreement and the transactions contemplated thereunder (including the provision of the relevant portion of the Capital Contribution and the Initial Shareholders' Loan (where applicable) to the JV Company) and to give you notice of the SGM.

THE JV AGREEMENT

The principal terms of the JV Agreement are set out below:

Date

11 December 2014

Parties

- (1) Sharp Shine, an indirect wholly-owned subsidiary of Town Health; and
- (2) Brilliant Dream, an indirect wholly-owned subsidiary of the Company.

Town Health is the holding company of Town Health BVI which in turn holds 100% interest in Town Health Pharmaceutical, a substantial shareholder of the Company holding 26% of the issued share capital of the Company as at the Latest Practicable Date. As Sharp Shine is an indirect wholly-owned subsidiary of Town Health and a fellow subsidiary of Town Health Pharmaceutical, Sharp Shine is a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules.

Incorporation of the JV Company

In accordance with the terms of the JV Agreement, Sharp Shine and Brilliant Dream shall take all reasonable steps with a view to incorporating the JV Company in the BVI as soon as practicable and in any event on or before the Long Stop Date.

It is proposed that upon incorporation of the JV Company, unless otherwise resolved by the board of directors of the JV Company and subject to (i) compliance with all applicable laws and regulations in the BVI, the PRC or other relevant jurisdictions; and (ii) the obtaining of all requisite licences and permits by the JV Company for the purposes of carrying on the Proposed Business (where applicable), the principal business objective of the JV Company will be the Proposed Business (i.e. to invest in medical and healthcare related business in the PRC).

LETTER FROM THE BOARD

At the date of the JV Agreement and as at the Latest Practicable Date, no investment opportunity in relation to the Proposed Business had been identified by the Group or the Town Health Group for the JV Company. As such, neither the Group nor the Town Health Group has formulated in detail the scope of or any solid plan for carrying out the Proposed Business in the JV Agreement. At the date of the JV Agreement and as at the Latest Practicable Date, the Group and the Town Health Group considered that the scope of the Proposed Business may include, for example, investment in businesses such as hospital, medical clinics which provide traditional Chinese medical care and Western internal medicine healthcare. The Group and Town Health Group also considered that the investment of the JV Company may be made, for example, in the Zhejiang province and eastern region of the PRC, as the Group has established business network in such regions.

Both the Group and the Town Health Group will explore investment opportunities appropriate for the JV Company by business referrals and through their respective business networks. It is considered that the investment in the Proposed Business may be executed by acquiring relevant business(es) or investing in companies engaging in the Proposed Business, if such investment opportunity(ies) arises. It may also be carried out through co-operation with other entities engaging in the Proposed Business in the form of formation of additional joint venture companies. Should appropriate investment opportunity(ies) arises and if required under the Listing Rules, the Company will make disclosure as and when appropriate.

In accordance with the terms of the JV Agreement, where the board of directors of the JV Company considers appropriate, the Proposed Business or any of them can be conducted through one or more subsidiaries of the JV Company.

Condition precedent to the incorporation of the JV Company

The completion of the incorporation of the JV Company shall be conditional upon (where applicable) compliance by Sharp Shine, Brilliant Dream and their respective holding companies with the notification, publication and/or shareholders' approval requirements under the Listing Rules and the GEM Listing Rules respectively.

Capital contribution and shareholders' loan

The proposed initial issued share capital of the JV Company shall be HK\$10, which shall be contributed in cash as to 80% (i.e. HK\$8) by Sharp Shine and as to 20% (i.e. HK\$2) by Brilliant Dream. The Capital Contribution shall be paid up in full by Sharp Shine and Brilliant Dream within five Business Days from the date of incorporation of the JV Company. Upon the payment of the Capital Contribution by both parties, the issued share capital of the JV Company shall be owned as to 80% by Sharp Shine and 20% by Brilliant Dream ("**Agreed Proportion**").

LETTER FROM THE BOARD

It is agreed by the parties to the JV Agreement that subject to the incorporation of the JV Company and appropriate investment opportunity(ies) in the Proposed Business having been identified, Sharp Shine and Brilliant Dream will provide interest-free Initial Shareholders' Loan in the aggregate sum of up to HK\$300 million to the JV Company in the proportion of 80%:20% and in immediately available and transferable funds with a view to financing the Proposed Business.

Each of Sharp Shine and Brilliant Dream agree that, if at any time after the incorporation of the JV Company and the provision of the Initial Shareholders' Loan, any further financing is required by the JV Company as determined by the board of directors of the JV Company, it will provide additional shareholders' loan(s) to the JV Company in the Agreed Proportion. As the JV Company, upon incorporation, will be a commonly held entity (as defined in the GEM Listing Rules) of the Group and the Town Health Group, provision of any additional shareholders' loan(s) or further financing by the Group to the JV Company will be subject to connected transactions related requirements under the GEM Listing Rules. The Company will comply with applicable GEM Listing Rules (including but not limited to rules in relation to connected transactions) as and when appropriate should any additional shareholders' loan(s) or further financing be provided to the JV Company by the Group.

As discussed and confirmed with the auditors of the Company, as the JV Company will be owned as to 20% by the Group and the Group will be entitled to appoint a director to the board of directors of the JV Company, the investment in the JV Company, upon completion of the Capital Contribution, will be treated as the Group's investment in an associate.

Further announcement will be made by the Company in compliance with the requirements under the GEM Listing Rules if there is further financing by the Group to the JV Company.

In the event that all the investment project(s) undertaken by the JV Company has/have been completed ("**Completion of the Investment Project(s)**") and no further appropriate investment opportunity in the Proposed Business can be identified by the JV Company, the parties to the JV Agreement agree that any cash (in bank or otherwise) held by the JV Company (after deducting such amount as determined by the board of directors of the JV Company required for the JV Company to continue as a going concern) shall be repaid to the parties to the JV Agreement in the Agreed Proportion for the purpose of settling all or part of the Initial Shareholders' Loan and/or such other shareholders' loan(s) (if any) provided to the JV Company within one month of the date of Completion of the Investment Project(s).

LETTER FROM THE BOARD

The amount of the Capital Contribution and the Initial Shareholders' Loan which may be provided by the Group to the JV Company was determined after arm's length negotiations between the Town Health Group and the Group having taken into account the expected initial capital requirement for carrying out the Proposed Business. The amount of the Capital Contribution (HK\$10 in total) is nominal contribution to reflect the shareholding ratio of the Town Health Group and the Group in the JV Company. The amount of the Initial Shareholders' Loan was determined by reference to (i) the expected investment amount for the Proposed Business and (ii) the internal financial resources of the Group that are currently readily available for investment in the Proposed Business. It is considered that the investment in the Proposed Business may be executed by acquiring relevant business(es) or investing in companies engaging in the Proposed Business with the business or companies with total value ranging from HK\$200 million to HK\$400 million ("**Proposed Size**") and with the JV Company holding not less than 20% interest in the relevant business(es) or investing in companies engaging in the Proposed Business and having right to appoint at least one director to the board of directors of the relevant target company. As no specific investment target has been identified for the JV Company, the Proposed Size was determined by the Group and the Town Health Group by reference to recent transactions of other public companies in Hong Kong and the PRC which involved investment in, or acquisition of, companies engaged in the Proposed Business, and is not the specific investment scope of the JV Company. By reference to the size of recent similar transactions of other public companies as mentioned and taking into account the availability of the current financial resources of the Group, the Directors considered that the Proposed Size is fair and reasonable. As contemplated under the JV Agreement and disclosed in this circular, should any appropriate investment opportunity arise and any further financing is required by the JV Company as determined by the board of directors of the JV Company, the Group and the Town Health Group will provide additional shareholders' loan(s) to the JV Company in the Agreed Proportion. The Group will comply with the GEM Listing Rules as and when appropriate if any such further financing is required by the JV Company.

The Group intends to finance its portion of the Capital Contribution and the Initial Shareholders' Loan (where applicable) to the JV Company with (i) part of the net proceeds it received from the top-up placing of 160,000,000 Shares which was completed on 5 November 2014; and (ii) the current internal financial resources of the Group.

Obligations of and undertakings by the parties

Each of Sharp Shine and Brilliant Dream undertakes to the other that upon the incorporation of the JV Company, it will subject to the compliance of all applicable laws, rules and regulations:

- (a) pay its portion of the Capital Contribution and (where applicable) the Initial Shareholders' Loan to the JV Company in the manner as described in the JV Agreement; and
- (b) take all reasonable actions and steps to assist the JV Company in the application for and obtaining of all requisite licences, permits and approvals (where applicable) by the relevant regulatory authorities in the BVI, the PRC or any other relevant jurisdictions for the purposes of carrying on the Proposed Business.

LETTER FROM THE BOARD

Composition of the board of directors of the JV Company

The board of directors of the JV Company shall initially consist of 3 directors unless otherwise agreed by all the shareholders of the JV Company in writing. For so long as Sharp Shine holds not less than 51% of the issued share capital of the JV Company, Sharp Shine shall have the right to appoint and remove up to 2 directors of the JV Company. For so long as Brilliant Dream holds any interest in the issued share capital of the JV Company, Brilliant Dream shall have the right to appoint and remove up to 1 director of the JV Company.

The directors appointed by Sharp Shine to the JV Company may elect one of their number to be the chairman of the board of directors of the JV Company.

In accordance with the terms of the JV Agreement, the following matters shall be approved unanimously by all the directors of the JV Company:

- (a) any material change in the nature of the business of the JV Company (including but not limited to the Proposed Business) or the JV Company's cessation of its activities or a major part thereof;
- (b) the JV Company's entering into of any transaction or investment in or acquisition of any business or project which requires investment by the JV Company of more than HK\$100 million;
- (c) amendment or adoption of any change to the memorandum and articles of association of the JV Company; and
- (d) the JV Company's issue of, or agreement to issue, any shares in the JV Company or other equity securities or loan capital or the JV Company's grant of, or agreement to grant, any option over or right to acquire or convert into, any shares in the JV Company or loan capital.

Except otherwise agreed in writing by the parties to the JV Agreement and subject to the foregoing paragraph, all decisions of the board of directors of the JV Company shall be made by a simple majority vote of the directors of the JV Company.

As the Town Health Group has experience in operating medical clinics and other medical and healthcare related businesses in the PRC, it is expected that the Town Health Group will appoint senior management staff of the JV Company as appropriate, who will be responsible for the day-to-day operation of the JV Company.

If there will be material change in the nature of the business of the JV Company to the extent that such new business is different from the Proposed Business, the Group will ensure that the director of the JV Company appointed by it will not approve such change unless the Group has obtained the approval from the then Shareholders (other than those who are required to abstain from voting on the relevant resolution) regarding such change.

LETTER FROM THE BOARD

Transfer of shares in the JV Company

In accordance with the terms of the JV Agreement, without the prior written consent of the other shareholder(s) of the JV Company, a shareholder of the JV Company shall not:

- (1) transfer any of its shares in the JV Company to any third party;
- (2) grant, declare, create or dispose of any of its right or interest in any shares in the JV Company;
- (3) create or permit to exist any encumbrances over any shares of the JV Company; or
- (4) enter into any agreement or arrangement to do any of the foregoing.

For so long as Sharp Shine is a shareholder of the JV Company, it shall remain as a member of the Town Health Group. For so long as Brilliant Dream is a shareholder of the JV Company, it shall remain as a member of the Group.

Duration of the JV Agreement

The JV Agreement shall cease to have effect upon the earliest of:

- (1) the JV Company not having been incorporated by the Long Stop Date;
- (2) the obtaining of the unanimous consent of the parties to the JV Agreement in writing; or
- (3) all the issued shares in the JV Company having become beneficially (whether directly or indirectly) owned by one person or entity.

The shareholder(s) of the JV Company (other than the Defaulting Shareholder (as defined below)) may serve notice to forthwith terminate the JV Agreement against any shareholder of the JV Company ("**Defaulting Shareholder**") on the occurrence of any of the following events:

- (1) the Defaulting Shareholder committing a material breach of its obligations under the JV Agreement and, in the case of a material breach capable of being remedied, fails to remedy the same within 14 days of being specifically required in writing so to do by the other shareholder(s) of the JV Company;
- (2) any distress, execution, sequestration or other process levied or enforced upon or sued out against any material property of the Defaulting Shareholder which is not is charged within 14 days; and
- (3) the making of an order or the passing of a resolution for the winding up of, or the making of a bankruptcy order against, the Defaulting Shareholder.

LETTER FROM THE BOARD

The JV Agreement shall cease to have effect in relation to a shareholder of the JV Company if it ceases to hold any issued shares in the JV Company.

INFORMATION ABOUT THE PARTIES TO THE JV AGREEMENT

Sharp Shine is principally engaged in investment holding.

The Town Health Group is principally engaged in (i) healthcare business investments; (ii) provision and management of healthcare and related services; and (iii) properties and securities investments and trading.

Brilliant Dream is principally engaged in investment holding.

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

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

The Group is optimistic about the prospects and development of the PRC healthcare market. The investment in the Proposed Business will enable the Group to diversify its business which will be beneficial to the long-term development of the Group.

The Group has established business relationship with the Town Health Group as the Town Health Group has been investing in the Group since 2009. The Town Health Group has also been engaging in the businesses of investment in, and operation of, medical clinics and other medical and healthcare related businesses in Hong Kong and the PRC and such experience will be valuable to the JV Company to be incorporated in operating the Proposed Business. The Directors believe that the entering into of the JV Agreement will enable the Group, upon the formation of the JV Company, to jointly explore and develop the Proposed Business with the Town Health Group with a view to bringing more investment returns to the Shareholders.

At the date of the JV Agreement and as at the Latest Practicable Date, no investment opportunity in relation to the Proposed Business had been identified by the Group or the Town Health Group for the JV Company. Neither the Group nor the Town Health Group has formulated in detail the scope of or any solid plan for carrying out the Proposed Business in the JV Agreement.

Having taken into account that (1) the Town Health Group has experience in operating medical clinics and other medical and healthcare related businesses in the PRC and it is expected that the Town Health Group will appoint senior management staff of the JV Company as appropriate for the day-to-day operation of the JV Company; (2) the incorporation of the JV Company is expected to bring a synergy effect between the Group and the Town Health Group; and (3) the Group will be able to diversify its business into the Proposed Business which will be beneficial to the long-term development of the Group, the Directors (including the independent non-executive Directors) are of the view that the terms of the JV Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the formation of the JV Company and the transactions contemplated under the JV Agreement (including the provision of the relevant portion of the Capital Contribution and the Initial Shareholders' Loan (where applicable) to the JV Company) are more than 5% but less than 25%, the formation of the JV Company and the transactions contemplated under the JV Agreement constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

Town Health is the holding company of Town Health BVI which in turn holds 100% interest in Town Health Pharmaceutical, a substantial shareholder of the Company holding 26% of the issued share capital of the Company as at the Latest Practicable Date. As Sharp Shine is an indirect wholly-owned subsidiary of Town Health and a fellow subsidiary of Town Health Pharmaceutical, Sharp Shine is a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. The formation of the JV Company and the transactions contemplated under the JV Agreement (including the provision of the relevant portion of the Capital Contribution and the Initial Shareholders' Loan (where applicable) to the JV Company) constitute a non-exempt connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

APPROVAL OF THE BOARD

Mr. Lee Chik Yuet ("**Mr. Lee**"), an executive Director, was also a director of Town Health, Town Health BVI and Town Health Pharmaceutical and held option to subscribe for 5,000,000 shares in Town Health as at the Latest Practicable Date. As such, Mr. Lee had abstained from voting at the meeting of the Board approving the JV Agreement and the transactions contemplated thereunder. Save as the above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has a material interest in the JV Agreement and was required to abstain from voting at the meeting of the Board approving the JV Agreement and the transactions contemplated thereunder.

THE SGM

The SGM will be held at 9:00 a.m. (and immediately after the conclusion of the special general meeting of the Company convened to be held at 9:00 a.m. on the same day or the adjourned meeting thereof for approving the refreshment of the general mandate of the Company and the increase in authorised share capital of the Company) on Friday, 13 February 2015 at 1/F., Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong for the Independent Shareholders to consider and, if thought fit, approve the JV Agreement and the transactions contemplated thereunder (including the provision of the relevant portion of the Capital Contribution and the Initial Shareholders' Loan (where applicable) to the JV Company).

LETTER FROM THE BOARD

In view of the material interests of Town Health (through its indirect holding of Sharp Shine) in the JV Agreement, Town Health Pharmaceutical, being an indirect wholly-owned subsidiary of Town Health and a fellow subsidiary of Sharp Shine, and its associates who are Shareholders will abstain from voting on the resolution at the SGM. As at the Latest Practicable Date, Town Health Pharmaceutical held 249,600,000 Shares, representing 26% of the issued share capital of the Company.

In compliance with the GEM Listing Rules, the resolution will be voted on by way of a poll at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular and the letter from Veda Capital set out on pages 17 to 29 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the JV Agreement and the transactions contemplated thereunder (including the provision of the relevant portion of the Capital Contribution and the Initial Shareholders' Loan (where applicable) to the JV Company) and the principal factors considered by it in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of Veda Capital, is of the opinion that (i) the terms of the JV Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the JV Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM.

The Directors (including the independent non-executive Directors) consider that the JV Agreement and the transactions contemplated thereunder (including the provision of the relevant portion of the Capital Contribution and the Initial Shareholders' Loan (where applicable) to the JV Company) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the JV Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

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



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)

27 January 2015

To the Independent Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION –
FORMATION OF JOINT VENTURE**

We have been appointed as the Independent Board Committee to advise the Independent Shareholders in connection with the JV Agreement and the transactions contemplated thereunder (including the provision of the relevant portion of the Capital Contribution and the Initial Shareholders' Loan (where applicable) to the JV Company), details of which are set out in the circular of the Company to the Shareholders dated 27 January 2015 ("**Circular**"), to which this letter forms part.

Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires. Veda Capital has been appointed as the Independent Financial Adviser to advise the Independent Shareholders and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are set out on pages 17 to 29 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the principal factors and reasons of the formation of the JV Company and the transactions contemplated thereunder and taking into account the independent advice of Veda Capital, we consider that (i) the terms of the JV Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the JV Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the JV Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of the
Independent Board Committee

Mr. Ho Hau Cheung, BBS, MH
*Independent non-executive
Director*

Mr. Sung Hak Keung Andy
*Independent non-executive
Director*

Mr. Leung Chi Kin
*Independent non-executive
Director*

LETTER FROM VEDA CAPITAL

The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders on the JV Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3711, 37/F
Tower II, Times Square
1 Matheson Street
Causeway Bay, Hong Kong

27 January 2015

*To the Independent Board Committee and the Independent Shareholders of
New Ray Medicine International Holding Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION – FORMATION OF JOINT VENTURE

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in connection with the JV Agreement and the transactions contemplated thereunder, details of which are set out in the Letter from the Board (the “**Board Letter**”) contained in the circular to the Shareholders dated 27 January 2015 (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context require otherwise.

As noted from the Board Letter, on 11 December 2014 (after trading hours), the Group and the Town Health Group entered into the JV Agreement to form the JV Company which will be owned as to 80% by the Town Health Group and as to 20% by the Group. The formation of the JV Company and the transactions contemplated under the JV Agreement constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

Town Health is the holding company of Town Health BVI which in turn holds 100% interest in Town Health Pharmaceutical, a substantial shareholder of the Company holding 26% of the issued share capital of the Company as at the Latest Practicable Date. As Sharp Shine is an indirect wholly-owned subsidiary of Town Health and a fellow subsidiary of Town Health Pharmaceutical, Sharp Shine is a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. The formation of the JV Company and the transactions contemplated under the JV Agreement also constitute a non-exempt connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM VEDA CAPITAL

The Independent Board Committee, comprising all of the independent non-executive Directors, namely, Mr. Ho Hau Cheung, *BBS, MH*, Mr. Sung Hak Keung Andy and Mr. Leung Chi Kin, has been established to advise the Independent Shareholders on the terms of the JV Agreement and the transactions contemplated thereunder. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Veda Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Veda Capital's independence as defined under Rule 17.96 of the GEM Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the JV Agreement and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the JV Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders and the appointment in connection with the proposed refreshment of general mandate of the Company to issue Shares (details of which has been set out in the circular of the Company dated 22 January 2015) as an independent financial adviser to the relevant independent board committee and the independent shareholders of the Company, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders on the JV Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background of the formation of the JV Company

In accordance with the terms of the JV Agreement, Sharp Shine and Brilliant Dream shall take all reasonable steps with a view to incorporating the JV Company in the BVI as soon as practicable and in any event on or before the Long Stop Date.

It is proposed that upon incorporation of the JV Company, unless otherwise resolved by the board of directors of the JV Company and subject to (i) compliance with all applicable laws and regulations in the BVI, the PRC or other relevant jurisdictions; and (ii) the obtaining of all requisite licences and permits by the JV Company for the purposes of carrying on the Proposed Business (where applicable), the principal business objective of the JV Company will be the Proposed Business (i.e. to invest in medical and healthcare related business in the PRC).

At the date of the JV Agreement and as at the Latest Practicable Date, no investment opportunity in relation to the Proposed Business had been identified by the Group or the Town Health Group for the JV Company. As such, neither the Group nor the Town Health Group has formulated in detail the scope of or any solid plan for carrying out the Proposed Business in the JV Agreement. At the date of the JV Agreement and as at the Latest Practicable Date, the Group and the Town Health Group considered that the scope of the Proposed Business may include, for example, investment in businesses such as hospital, medical clinics which provide traditional Chinese medical care and Western internal medicine healthcare. The Group and Town Health Group also considered that the investment of the JV Company may be made, for example, in the Zhejiang province and eastern region of the PRC, as the Group has established business network in such regions.

Both the Group and the Town Health Group will explore investment opportunities appropriate for the JV Company by business referrals and through their respective business networks. It is considered that the investment in the Proposed Business may be executed by acquiring relevant business(es) or investing in companies engaging in the Proposed Business, if such investment opportunity(ies) arises. It may also be carried out through co-operation with other entities engaging in the Proposed Business in the form of formation of additional joint venture companies.

In accordance with the terms of the JV Agreement, where the board of directors of the JV Company considers appropriate, the Proposed Business or any of them can be conducted through one or more subsidiaries of the JV Company.

2. Information about the parties to the JV Agreement

Sharp Shine is principally engaged in investment holding. The Town Health Group is principally engaged in (i) healthcare business investments; (ii) provision and management of healthcare and related services; and (iii) properties and securities investments and trading.

Brilliant Dream is principally engaged in investment holding. The Group is principally engaged in pharmaceutical distribution businesses in the PRC.

3. Reasons for and benefits of the formation of the JV Company

As noted from the Board Letter, the Group is optimistic about the prospects and development of the PRC healthcare market. The investment in the Proposed Business will enable the Group to diversify its business which will be beneficial to the long-term development of the Group. The Group has established business relationship with the Town Health Group as the Town Health Group has been investing in the Group since 2009. The Town Health Group has also been engaging in the businesses of investment in, and operation of, medical clinics and other medical and healthcare related businesses in Hong Kong and the PRC and such experience will be valuable to the JV Company to be incorporated in operating the Proposed Business. The Directors believe that the entering into of the JV Agreement will enable the Group, upon the formation of the JV Company, to jointly explore and develop the Proposed Business with the Town Health Group with a view to bringing more investment returns to the Shareholders. The Directors (including the independent non-executive Directors) are of the view that the terms of the JV Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As noted from the third quarterly report of the Group for the nine months ended 30 September 2014 (the “**3Q Report**”), the Group is an established pharmaceutical distributor originated from Zhejiang province and headquartered in Hangzhou, Zhejiang province of the PRC. The Group is principally engaged in pharmaceutical distribution businesses in the PRC, with a focus in Zhejiang province. The Group procured pharmaceutical products throughout the PRC from 31 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.

As further noted from the 3Q Report, the Group will continue 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 in the Group’s distribution network. In addition, the Group will continue to hire additional sales and marketing personnel to expand the Group’s existing sales and marketing team to

LETTER FROM VEDA CAPITAL

support the expansion of the Group's distribution network. In order to achieve sustainable development, the Group is cautious in considering and evaluating investment opportunities in the PRC medical device market, as it believes that the PRC medical device market is in the process of opening up, which offers numerous investment opportunities with good potential.

Given (i) the Proposed Business is in line with the business strategy of the Group and the investment in the Proposed Business will enable the Group to diversify its business to a business which is complementary to the principal business of the Group; (ii) the business relationship between the Group and the Town Health Group since the investment of the Town Health Group in the Group in 2009; (iii) the experience of the Town Health Group of engaging in the businesses of investment in, and operation of, medical clinics and other medical and healthcare related businesses in Hong Kong and the PRC; and (iv) the well-established pharmaceutical distribution network of the Group in the PRC, especially in Zhejiang province, we are of the view that incorporation of the JV Company should be able to bring a synergy effect between the Group and the Town Health Group.

We have found data from the National Bureau of Statistics of the PRC (the "**Bureau Statistics**") (www.stats.gov.cn) for the recent five years period from 2009 to 2013 and have researched from governmental websites and we expected the following factors shall impact and drive the prospect and development of the PRC healthcare market in the foreseeable future.

(i) Population ageing and urbanization in the PRC

According to the data from the National Bureau, in the PRC, population aged 65 and over increased from 113.1 million, contributing approximately 8.5% of the total population of 1,334.5 million in 2009 to 131.6 million, contributing approximately 9.7% of the total population of 1,360.7 million in 2013, representing an increase of approximately 16.4% and exceeding the increase in total population of approximately 2.0% during the span of 2009 to 2013.

The number of urban population, defined as population residing in cities and town, has been increasing and the number of rural population, defined as population other than the urban population, has been decreasing in the recent years. During the span of 2009 to 2013, the number of urban population has increased from approximately 645.1 million persons to approximately 731.1 million persons; whereas, the number of rural population has decreased from approximately 689.4 million to approximately 629.6 million.

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(ii) Increasing consumption expenditures

Household consumption expenditure, refers to the average consumer expenditure calculated on permanent population, increased from RMB9,283 in 2009 to RMB15,632 in 2013, representing an increase of approximately 68.4%.

The annual consumption expenditure of urban household per capita for health care and medical services, refers to the costs of medicines, supplies and services, including medical instruments, health supplies, medical expenses, nourishing health care, health care services and other health care costs, has increased from RMB856.4 in 2009 to RMB1,118.3 in 2013, representing an increase of approximately 30.6%.

(iii) Living conditions and government expenditures on the PRC Healthcare sector

The gross domestic products of the PRC increased from approximately RMB34,090.3 billion in 2009 to approximately RMB56,884.5 billion in 2013, representing an increase of approximately 66.9%. Government health expenditures, refers to the expenditure of the governments at all levels on medical and healthcare services, medical subsidies, health administration and health insurance management, and undertakings of family planning etc., increased from approximately RMB481,626.0 million in 2009 to approximately RMB954,581.0 million in 2013, representing an increase of approximately 98.2%.

Furthermore, the PRC government has initiated a new healthcare reform plan to increase availability and lower the cost of healthcare services for the PRC citizens. In October 2013, The China State Council (www.gov.cn) has released a document, "Opinions on Promoting and Developing Health Services Industry" (關於促進健康服務業發展的若干意見), further expanding on the country's aim to provide affordable healthcare for the population in a more seamless and integrated manner and to propel economic growth through healthcare investments in areas of health-related industries and medical tourism through to 2020. The plan also aims to foster the healthcare industry to be one of the key pillars of the PRC economy, with a worth of more than RMB8.0 trillion over the period.

We noted that at the date of the JV Agreement and as at the Latest Practicable Date, no investment opportunity in relation to the Proposed Business had been identified by the Group or the Town Health Group for the JV Company. Notwithstanding that neither the Group nor the Town Health Group has formulated in detail the scope of or any solid plan for carrying out the Proposed Business in the JV Agreement, having considered (i) the demands for medical and healthcare spending in the PRC will be driven by the fact of population ageing and urban-citizens increasing as a result of urbanization; (ii) improving living conditions as a sign of increasing consumption expenditures is likely to raise healthcare consciousness of the citizens; (iii) the PRC healthcare sector should continue to benefit and develop from the increasing gross domestic products and government expenditures on the public health sector in the PRC; (iv) the investment

LETTER FROM VEDA CAPITAL

in the Proposed Business will enable the Group to diversify its business to a business which is complementary to the principal business of the Group; (v) it is expected that the Town Health Group will appoint senior management staff of the JV Company as appropriate for the day-to-day operation of the JV Company as set out in the sub-section headed “(II) Composition of the board of directors of the JV Company” below; and (vi) formation of the JV Company should be able to bring a synergy effect between the Group and the Town Health Group as discussed above, we are of the view that the incorporation of JV Company is an investment opportunity for the Company which is in the interests of the Company and the Independent Shareholders as a whole.

4. Principal terms of the JV Agreement

We have reviewed the JV Agreement and noted the following terms of the JV Agreement:

(I) Capital contribution and shareholders' loan

The proposed initial issued share capital of the JV Company shall be HK\$10, which shall be contributed in cash as to 80% (i.e. HK\$8) by Sharp Shine and as to 20% (i.e. HK\$2) by Brilliant Dream. The Capital Contribution shall be paid up in full by Sharp Shine and Brilliant Dream within five Business Days from the date of incorporation of the JV Company. Upon the payment of the Capital Contribution by both parties, the issued share capital of the JV Company shall be owned as to the Agreed Proportion i.e. 80% by Sharp Shine and 20% by Brilliant Dream.

It is agreed by the parties to the JV Agreement that subject to the incorporation of the JV Company and appropriate investment opportunity(ies) in the Proposed Business having been identified, Sharp Shine and Brilliant Dream will provide interest-free Initial Shareholders' Loan in the aggregate sum of up to HK\$300 million to the JV Company in the Agreed Proportion and in immediately available and transferable funds with a view to financing the Proposed Business.

Each of Sharp Shine and Brilliant Dream agree that, if at any time after the incorporation of the JV Company and the provision of the Initial Shareholders' Loan, any further financing is required by the JV Company as determined by the board of directors of the JV Company, it will provide additional shareholders' loan(s) to the JV Company in the Agreed Proportion. As the JV Company, upon incorporation, will be a commonly held entity (as defined in the GEM Listing Rules) of the Group and the Town Health Group, provision of any additional shareholders' loan(s) or further financing by the Group to the JV Company will be subject to connected transactions related requirements under the GEM Listing Rules. The Company will comply with applicable GEM Listing Rules (including but not limited to rules in relation to connected transactions) as and when appropriate should any additional shareholders' loan(s) or further financing be provided to the JV Company by the Group.

LETTER FROM VEDA CAPITAL

As noted from the Board Letter, in the event that all the investment project(s) undertaken by the JV Company has/have been completed (“**Completion of the Investment Project(s)**”) and no further appropriate investment opportunity in the Proposed Business can be identified by the JV Company, the parties to the JV Agreement agree that any cash (in bank or otherwise) held by the JV Company (after deducting such amount as determined by the board of directors of the JV Company required for the JV Company to continue as a going concern) shall be repaid to the parties to the JV Agreement in the Agreed Proportion for the purpose of settling all or part of the Initial Shareholders’ Loan and/or such other shareholders’ loan(s) (if any) provided to the JV Company within one month of the date of Completion of the Investment Project(s).

As advised by the Company, the Company will share the profits or losses and other comprehensive income or expenses on the JV Company’s account in proportion to the shareholdings in the JV Company.

The amount of the Capital Contribution and the Initial Shareholders’ Loan which may be provided by the Group to the JV Company was determined after arm’s length negotiations between the Town Health Group and the Group having taken into account the expected initial capital requirement for carrying out the Proposed Business. The amount of the Capital Contribution (HK\$10 in total) is nominal contribution to reflect the shareholding ratio of the Town Health Group and the Group in the JV Company. The amount of the Initial Shareholders’ Loan was determined by reference to (i) the expected investment amount for the Proposed Business and (ii) the internal financial resources of the Group that are currently readily available for investment in the Proposed Business. It is considered that the investment in the Proposed Business may be executed by acquiring relevant business(es) or investing in companies engaging in the Proposed Business with the business or companies with the Proposed Size of total value ranging from HK\$200 million to HK\$400 million and with the JV Company holding not less than 20% interest in the relevant business(es) or investing in companies engaging in the Proposed Business and having right to appoint at least one director to the board of directors of the relevant target company. As no specific investment target has been identified for the JV Company, the Proposed Size was determined by the Group and the Town Health Group by reference to recent transactions of other public companies in Hong Kong and the PRC which involved investment in, or acquisition of, companies engaged in the Proposed Business, and is not the specific investment scope of the JV Company (the “**Reference Transactions**”). By reference to the size of the Reference Transactions and taking into account the availability of the current financial resources of the Group, the Directors considered that the Proposed Size is fair and reasonable. As contemplated under the JV Agreement and disclosed in the Circular, should any appropriate investment opportunity arise and any further financing is required by the JV Company as determined by the board of directors of the JV Company, the Group and the Town Health Group will provide additional shareholders’ loan(s) to the JV Company in the Agreed Proportion. The Group will comply with the GEM Listing Rules as and when appropriate if any such further financing is required by the JV Company.

LETTER FROM VEDA CAPITAL

The Group intends to finance its portion of the Capital Contribution and the Initial Shareholders' Loan (where applicable) to the JV Company with (i) part of the net proceeds it received from the top-up placing of 160,000,000 Shares which was completed on 5 November 2014; and (ii) the current internal financial resources of the Group.

As advised by the Company, the current cash position of the Group is approximately HK\$145 million as at 5 January 2015. By sharing 20% of the Initial Shareholders' Loan of HK\$300 million, the amount that the Group is required to contribute is HK\$60 million.

We have reviewed and noted that the Reference Transactions were recent transactions taken place in 2014 with transaction size similar to the Proposed Size. We have enquired with the management of the Company and are given to understand that the Company is of the view that the investment amount in the JV Company should not be exposed to a risk that will be detrimental to the business operations of the Group. Having considered (i) the Agreed Proportion; (ii) the current financial resources and operating expenses of the Group; and (iii) the view of the Company that the investment amount in the JV Company should not be exposed to a risk that will be detrimental to the business operations of the Group, we concur with the view of the Directors that the Proposed Size is fair and reasonable.

Given the abovementioned investment strategy, the Initial Shareholders' Loan of HK\$300 million may allow the JV Company to invest in several different investment projects in the Proposed Business. We consider that such arrangement will enable the JV Company to have a portfolio diversification which can reduce its risk of investment in a particular project. As such, we consider that the Initial Shareholders' Loan of HK\$300 million is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above and that (i) the respective initial investment and the Initial Shareholders' Loan of each party of the JV Agreement towards the JV Company reflect their respective equity interests in the JV Company; and (ii) each party of the JV Agreement will participate in the profits or losses in proportion to their shareholdings in the JV Company; we are of the view that the Capital Contribution is fair and reasonable so far as the Independent Shareholders are concerned.

(II) Composition of the board of directors of the JV Company

The board of directors of the JV Company shall initially consist of 3 directors unless otherwise agreed by all the shareholders of the JV Company in writing. For so long as Sharp Shine holds not less than 51% of the issued share capital of the JV Company, Sharp Shine shall have the right to appoint and remove up to 2 directors of the JV Company. For so long as Brilliant Dream holds any interest in the issued share capital of the JV Company, Brilliant Dream shall have the right to appoint and remove up to 1 director of the JV Company.

LETTER FROM VEDA CAPITAL

The directors appointed by Sharp Shine to the JV Company may elect one of their number to be the chairman of the board of directors of the JV Company.

In accordance with the terms of the JV Agreement, the following matters shall be approved unanimously by all the directors of the JV Company:

- (a) any material change in the nature of the business of the JV Company (including but not limited to the Proposed Business) or the JV Company's cessation of its activities or a major part thereof;
- (b) the JV Company's entering into of any transaction or investment in or acquisition of any business or project which requires investment by the JV Company of more than HK\$100 million;
- (c) amendment or adoption of any change to the memorandum and articles of association of the JV Company; and
- (d) the JV Company's issue of, or agreement to issue, any shares in the JV Company or other equity securities or loan capital or the JV Company's grant of, or agreement to grant, any option over or right to acquire or convert into, any shares in the JV Company or loan capital.

Except otherwise agreed in writing by the parties to the JV Agreement and subject to the foregoing paragraph, all decisions of the board of directors of the JV Company shall be made by a simple majority vote of the directors of the JV Company.

As noted from the Board Letter, as the Town Health Group has experience in operating medical clinics and other medical and healthcare related businesses in the PRC, it is expected that the Town Health Group will appoint senior management staff of the JV Company as appropriate, who will be responsible for the day-to-day operation of the JV Company. Having considered (i) the Company contributes a minor proportion in the JV Company pursuant to the Capital Contribution; (ii) Town Health Group has experience in operating medical clinics and other medical and healthcare related businesses in the PRC; (iii) the Proposed Business is complimentary to the principal business of the Group; and (iv) the Company will share the profit of the JV Company pursuant to the Agreed Proportion, we are of the view that the arrangement of appointing senior management staff by the Town Health Group for the day-to-day operation of the JV Company is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

If there will be material change in the nature of the business of the JV Company to the extent that such new business is different from the Proposed Business, the Group will ensure that the director of the JV Company appointed by it will not approve such change unless the Group has obtained the approval from the then Shareholders (other than those who are required to abstain from voting on the relevant resolution) regarding such change.

LETTER FROM VEDA CAPITAL

As the Group can ensure that the director of the JV Company appointed by it will only approve any material change in the nature of business of the JV Company (which new business is different from the Proposed Business) after the Company has obtained approval of the Independent Shareholders in relation to the same, we believe that adequate measure is in place to protect the JV Company from any material change in the nature of business of the JV Company (which new business is different from the Proposed Business).

(III) Transfer of shares in the JV Company

In accordance with the terms of the JV Agreement, without the prior written consent of the other shareholder(s) of the JV Company, a shareholder of the JV Company shall not:

- (1) transfer any of its shares in the JV Company to any third party;
- (2) grant, declare, create or dispose of any of its right or interest in any shares in the JV Company;
- (3) create or permit to exist any encumbrances over any shares of the JV Company; or
- (4) enter into any agreement or arrangement to do any of the foregoing.

For so long as Sharp Shine is a shareholder of the JV Company, it shall remain as a member of the Town Health Group. For so long as Brilliant Dream is a shareholder of the JV Company, it shall remain as a member of the New Ray Group.

(IV) Duration of the JV Agreement

The JV Agreement shall cease to have effect upon the earliest of:

- (1) the JV Company not having been incorporated by the Long Stop Date;
- (2) the obtaining of the unanimous consent of the parties to the JV Agreement in writing; or
- (3) all the issued shares in the JV Company having become beneficially (whether directly or indirectly) owned by one person or entity.

LETTER FROM VEDA CAPITAL

As noted from the Board Letter, the shareholder(s) of the JV Company (other than the Defaulting Shareholder) may serve notice to forthwith terminate the JV Agreement against any Defaulting Shareholder on the occurrence of any of the following events:

- (1) the Defaulting Shareholder committing a material breach of its obligations under the JV Agreement and, in the case of a material breach capable of being remedied, fails to remedy the same within 14 days of being specifically required in writing so to do by the other shareholder(s) of the JV Company;
- (2) any distress, execution, sequestration or other process levied or enforced upon or sued out against any material property of the Defaulting Shareholder which is not discharged within 14 days; and
- (3) the making of an order or the passing of a resolution for the winding up of, or the making of a bankruptcy order against, the Defaulting Shareholder.

The JV Agreement shall cease to have effect in relation to a shareholder of the JV Company if it ceases to hold any issued shares in the JV Company.

(V) *Condition precedent to the incorporation of the JV Company*

The completion of the incorporation of the JV Company shall be conditional upon (where applicable) compliance by Sharp Shine, Brilliant Dream and their respective holding companies with the notification, publication and/or shareholders' approval requirements under the Listing Rules and the GEM Listing Rules respectively.

Having considered the above, we consider that the terms of the JV Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial effect

The JV Company will be owned as to 20% by the Group and the Group will be entitled to appoint a director to the board of directors of the JV Company, the investment in the JV Company, upon completion of the Capital Contribution, will be treated as the Group's investment in an associate.

The management of the Company considers that the establishment of the JV Company pursuant to the JV Agreement will have no immediate material impact on the earnings as well as the net asset value attributable to equity shareholders of the Company.

LETTER FROM VEDA CAPITAL

6. Recommendation

Having considered the abovementioned principal factors and reasons, we consider (i) the terms of the JV Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the JV Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the JV Agreement and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Julisa Fong
Managing Director

Note: Ms. Julisa Fong is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in investment banking and corporate finance.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interest and short position of the Directors and chief executive of the Company in the shares or underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company

Name of Director	Capacity	Number of Shares	Approximate percentage of the total issued Shares
Zhou Ling ("Mr. Zhou")	Beneficial owner and interest of spouse	147,160,000 (Note)	15.33%
Yang Fang ("Ms. Yang")	Beneficial owner and interest of spouse	147,160,000 (Note)	15.33%
Dai Haidong ("Mr. Dai")	Beneficial owner	60,840,000	6.34%

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares or underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the shares of the Company

Name	Capacity	Number of Shares	Approximate percentage of the total issued Shares
Town Health Pharmaceutical (<i>Note</i>)	Beneficial owner	249,600,000 (<i>Note</i>)	26%
Town Health BVI (<i>Note</i>)	Interest of a controlled corporation	249,600,000 (<i>Note</i>)	26%
Town Health (<i>Note</i>)	Interest of a controlled corporation	249,600,000 (<i>Note</i>)	26%

Note: Town Health Pharmaceutical is wholly-owned by Town Health BVI which is in turn wholly-owned by Town Health. Accordingly, Town Health and Town Health BVI are 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, Town Health BVI and Town Health Pharmaceutical.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, there is no other person who had, or were deemed to have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

COMPETING INTERESTS OF COMPLIANCE ADVISER AND DIRECTORS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of Kingsway Capital Limited, the compliance adviser of the Company ("**Compliance Adviser**"), and its directors, employees and close associates nor the Directors, directors of the Group nor their respective close associates had any interests in a business, which competes or may compete with the business of the Group, or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed under the Rule 11.04 of the GEM Listing Rules.

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

As confirmed by the Compliance Adviser, none of the Compliance Adviser or its directors, employees or close associates had any interest in relation to the Company which was required to be disclosed pursuant to Rule 6A.32 of the GEM Listing Rules as at the Latest Practicable Date.

DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

Sharp Shine, a party to the JV Agreement is an indirect wholly-owned subsidiary of Town Health and a fellow subsidiary of Town Health Pharmaceutical. Mr. Lee, an executive Director, was also a director of Town Health, Town Health BVI and Town Health Pharmaceutical and held option to subscribe for 5,000,000 shares in Town Health as at the Latest Practicable Date. Save as the above, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions, letters or advice contained in this circular:

Name	Qualification
Veda Capital Limited	a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO

Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name, in the form and context in which they respectively appear. The letter from Veda Capital is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Veda Capital was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the JV Agreement will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the principal place of business in Hong Kong of the Company at Room 517, 5th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong from the date of this circular up to and including the date of the SGM.

NOTICE OF SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of New Ray Medicine International Holding Limited (“Company”) will be held at 1/F., Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong on Friday, 13 February 2015 at 9:00 a.m. (and immediately after the conclusion of the special general meeting of the Company convened to be held at 9:00 a.m. on the same day or the adjourned meeting thereof for approving the refreshment of the general mandate of the Company and the increase in authorised share capital of the Company), to consider, and if thought fit, approving the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the agreement dated 11 December 2014 and entered into between Sharp Shine International Limited, an indirect wholly-owned subsidiary of Town Health International Medical Group Limited, and Brilliant Dream Holding Limited, an indirect wholly-owned subsidiary of the Company, in relation to the formation of the JV Company (as defined in the circular of the Company dated 27 January 2015 (“Circular”), a copy of which is marked “A” and signed by the chairman of the SGM for the identification purpose and has been tabled at the SGM) (“JV Agreement”) (a copy of the JV Agreement is marked “B” and signed by the chairman of the SGM for identification purpose and has been tabled at the SGM) be and are hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved; and

NOTICE OF SGM

- (b) any one director of the Company (“**Director**”) be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the JV Agreement, and to agree to such variation, amendments or waiver of matters relating thereto which are not fundamentally different from those as provided for in the JV Agreement as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 27 January 2015

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Headquarter:
B-C, 37/F.
Dikai International Center
19 Dangui Road
Hangzhou, PRC

Principal place of business in Hong Kong:
Room 517, 5th Floor
Town Health Technology Centre
10-12 Yuen Shun Circuit
Siu Lek Yuen, Shatin
New Territories, Hong Kong

Notes:

1. The resolution to be proposed at the SGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) and the results of the poll will be published on the websites of GEM and the Company in accordance with the GEM Listing Rules.
2. Any member of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the SGM. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. To be valid, the instrument appointing a proxy and (if required by the board of Directors (“**Board**”)) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the office of the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

NOTICE OF SGM

5. Where there are joint holders of any shares, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the SGM or any adjournment thereof if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.

As of the date of this notice, 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 notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 notice 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 notice misleading.

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