New Ray Medicine
新銳醫藥

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

(Incorporated in Bermuda with limited liability)

(Stock code: 8180)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

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

2014 FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK$206.9 million for the year ended 31 December 2014 (2013: approximately HK$192.9 million), representing an increase of approximately 7.3% as compared to 2013.

- The Group recorded a profit of approximately HK$29.7 million for the year ended 31 December 2014 (2013: approximately HK$17.4 million), representing an increase of approximately 70.7% as compared to 2013.

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of zero as at 31 December 2014 (2013: zero).

The board (the "Board") of directors (the "Directors") of New Ray Medicine International Holding Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 (the "Year") together with the comparative figures for 2013, as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	3	**206,928**	192,854
Cost of sales		**(145,751)**	(142,219)
		61,177	50,635
Other income, gains and losses	4	**1,948**	1,725
Selling and distribution expenses		**(8,280)**	(3,958)
Administrative expenses		**(10,987)**	(7,027)
Listing expenses		**–**	(10,212)
Finance costs	5	**–**	(2,439)
Profit before tax		**43,858**	28,724
Income tax expense	6	**(14,177)**	(11,321)
Profit for the year	7	**29,681**	17,403
Other comprehensive (expense) income for the year			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation of functional currency to presentation currency		**(3,682)**	3,921
Item that may be subsequently reclassified to profit or loss:			
Fair value loss on available-for-sale investments		**(860)**	–
		(4,542)	3,921
Total comprehensive income for the year		**25,139**	21,324
Profit for the year attributable to owners of the Company		**29,681**	17,403
Total comprehensive income for the year attributable to owners of the Company		**25,139**	21,324
Earnings per share	9		
Basic *(HK cents)*		**3.60**	2.77

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**7,718**	7,051
Prepaid lease payments		**8,182**	8,540
Club debenture		**625**	637
Available-for-sale investments		**18,723**	–
Interest in a joint venture		**–**	–
Amount due from a joint venture		**–**	–
		35,248	16,228
Current assets			
Inventories		**14,403**	9,792
Trade and other receivables	*10*	**128,949**	114,262
Prepaid lease payments		**192**	196
Bank balances and cash		**150,942**	93,409
		294,486	217,659
Current liabilities			
Trade and other payables	*11*	**16,212**	11,996
Tax payable		**5,347**	5,396
		21,559	17,392
Net current assets		**272,927**	200,267
Total assets less current liabilities		**308,175**	216,495
Non-current liability			
Deferred tax liabilities		**4,984**	3,297
		303,191	213,198
Capital and reserves			
Share capital	*12*	**9,600**	8,000
Share premium and reserves		**293,591**	205,198
Equity attributable to owners of the Company		**303,191**	213,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

The Company was incorporated on 9 August 2012 and registered as an exempted company with limited liability in Bermuda. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Room 517, 5th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

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

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

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

The Group has applied for the first time in current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

The application of the amendments to HKFRSs and a new Interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in wholesale trading of pharmaceutical products in the PRC. Information reported to the chief operating decision maker (the "CODM"), being the executive directors of the Company, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered.

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

(i) Injection drugs – trading of injection drugs

(ii) Tablet drugs – trading of tablet drugs

(iii) Capsule drugs – trading of capsule drugs

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

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

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

Year ended 31 December 2014

	Injection drugs *HK$'000*	**Tablet drugs** *HK$'000*	**Capsule drugs** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
REVENUE					
External sales and segment revenue	**186,287**	**5,030**	**12,717**	**2,894**	**206,928**
RESULT					
Segment profit	**53,199**	**786**	**6,659**	**533**	**61,177**
Other income, gains and losses					**1,948**
Selling and distribution expenses					**(8,280)**
Administrative expenses					**(10,987)**
Profit before tax					**43,858**

Year ended 31 December 2013

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

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

Geographical information

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

All of the Group's revenue from external customers is attributed to the group entities' country of domicile (i.e. the PRC).

Revenue from major product and services

No analysis of revenue from external customers for each type of product and services is presented as the management of the Group consider the cost to develop it would be excessive.

4. OTHER INCOME, GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**849**	305
Sundry income	**339**	77
Incentives received from government grants	**761**	–
Imputed interest on deposits paid to suppliers	**–**	913
(Loss) gain on disposal of property, plant and equipment	**(1)**	430
	1,948	1,725

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on borrowing wholly repayable within five years:		
Other borrowings wholly repayable within one year	**–**	1,526
Imputed interest adjustment on deposits paid to suppliers upon initial recognition	**–**	3,014
Reversal of imputed interest recognised	**–**	(2,101)
	–	2,439

6. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**12,410**	10,285
Deferred tax	**1,767**	1,036
	14,177	11,321

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits in Hong Kong.

7. PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**2,198**	964
Other staff costs	**5,092**	3,330
Contributions to retirement benefits scheme, excluding directors	**429**	344
Total staff costs	**7,719**	4,638
Depreciation of property, plant and equipment	**1,173**	1,217
Amortisation of prepaid lease payment	**194**	193
Minimum lease payment under operating leases in respect of rented premises	**1,490**	1,203
Auditor's remuneration	**970**	929
Loss (gain) on disposal of property, plant and equipment	**1**	(430)
Cost of inventories recognised as an expense	**145,751**	142,219
Bank interest income	**(849)**	(305)

8. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year – Final dividend of HK$2.5 cents per share in respect of financial year ended 31 December 2013 (2013: 2012 Final dividend – Nil)	**20,000**	–

No dividend was proposed for the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**29,681**	17,403

	Number of ordinary shares	
	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**824,986,301**	628,406,307

For the year ended 31 December 2013, the weighted average number of ordinary shares for the purpose of basic earnings per share had taken into account the share issued pursuant to the group reorganisation in 2013 and the capitalisation issue of 519,979,000 ordinary shares of HK$0.01 each of the Company at par value on 3 October 2013 (as stated in note 12) as if it had been effective at the beginning of the reporting period.

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

10. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**61,295**	64,099
Other prepayments	**2,135**	1,976
Prepayments to suppliers	**19,397**	27,021
Deposits paid to suppliers	**45,445**	20,899
Others	**677**	267
Total trade and other receivables	**128,949**	114,262

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

	2014	2013
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**24,750**	30,601
31 – 60 days	**31,914**	29,187
61 – 90 days	**2,709**	3,210
91 – 180 days	**1,922**	1,101
	61,295	64,099

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$1,922,000 (2013: HK$1,101,000) which are past due as at 31 December 2014. The Group has not provided for impairment loss because management is of the opinion the credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances. The average age of these receivables as at 31 December 2014 is 110 days (2013: 100 days).

11. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payable	**8,579**	2,301
Deposits received	**187**	191
Receipt in advance	**556**	253
VAT payables	**4,212**	7,493
Other tax payables	**301**	379
Accruals	**2,377**	1,379
	16,212	11,996

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

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**6,455**	2,102
31 – 60 days	**5**	–
61 – 90 days	**825**	–
Over 90 days	**1,294**	199
	8,579	2,301

The credit period on purchase of goods ranges from 30 to 60 days. For certain suppliers, the Group is required to make prepayments and/or pay deposits to the suppliers based on the supplier agreements for purchase of goods.

12. SHARE CAPITAL

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

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2013	10,000,000	100
Increased pursuant to the Group Reorganisation (note a)	990,000,000	9,900
At 31 December 2013 and 31 December 2014	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2013	1	1
Issue of shares upon the share swap on 26 September 2013 (note b)	20,999	210
Issue of shares by capitalisation of share premium (note c)	519,979,000	5,199,790
Issue of shares upon the placing (note d)	280,000,000	2,800,000
At 31 December 2013	800,000,000	8,000,000
Issue of shares upon the top up placing (note e)	160,000,000	1,600,000
At 31 December 2014	960,000,000	9,600,000

Notes:

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

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

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

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

(e) On 5 November 2014, the Company completed a top-up placing of 160,000,000 existing shares and the allotment and issue of 160,000,000 new shares under the general mandate to Mr. Zhou Ling and Mr. Dai Haidong, both being Directors, by way of subscription at a subscription price of HK$0.56 per share. The net proceeds from the subscription, after deducting directly attributable costs, were approximately HK$84.8 million.

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

Subsequent to the end of the reporting period, the directors of the Company proposed to increase the authorised share capital of the Company from HK$10,000,000 divided into 1,000,000,000 ordinary shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 ordinary shares by the creation of an additional 1,000,000,000 ordinary shares. Such resolution was passed on the special general meeting held on 13 February 2015. The increase in the authorised share capital of the Company became effective on 13 February 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group achieved steady financial and operational performance during the Year, which is the result of successful implementation of a series of operational strategies. Throughout 2014, the PRC pharmaceutical market recorded a sustainable growth which was driven by governmental reforms, increasing household income, healthcare awareness as well as aging population that stimulate healthcare spending. During the Year, the Group recorded a revenue of approximately HK$206.9 million (2013: HK$192.9 million), representing an increase of approximately 7.3% over last year. Gross profit margin reached approximately 29.6% (2013: 26.3%), increased by approximately 3.3 percentage point from 2013. Net profit attributable to equity shareholders was approximately HK$29.7 million (2013: HK$17.4 million), representing an increase of approximately 70.7% over last year.

Business Review

Throughout the Year, key drivers of the pharmaceutical market development in the PRC were the rising healthcare awareness and needs fueled by economic growth, large and aging population, increasing total and per capita health spending, and the further development of medical reimbursement system. In addition, the PRC government's prioritization of health concerns contributed to the growth of the market, a number of broad policy pieces have been enacted guiding the development of the PRC's healthcare industry, such as the ongoing healthcare reform and the 12th Five-Year Plan supportive measures. Also, aging demographics, along with increased occurrence of chronic diseases, will stimulate demand. At the same time, with improved living standards, incidence of other critical illnesses such as cardiovascular and cerebrovascular diseases is also on the rise, which fundamentally propels demand. The Group anticipates that the industry would grow by around 15% for the next five years. The Group is confident that the rapid pace of growth and implementation plan for healthcare reform will effectively support our business development.

As at 31 December 2014, the Group had 43 pharmaceutical products, of which 38 pharmaceutical products were included in the Medical Insurance Drugs Catalogs. Those drugs are applied to various diseases or illness such as cardiovascular diseases, cerebrovascular diseases, digestive system illness, rheumatism, urinary system illness, anti-viral infection and health supplements. The Group's injection drugs have generated a predominant portion of revenue; other products of the Group include tablet drugs and capsule drugs. The Group's current product portfolio comprise 30 injection drugs which are mainly prescription drugs. The table below sets out the revenue of the Group (by form of products) for the years ended 31 December 2013 and 2014, respectively.

	Revenue contributed from each of the segments				**Gross Profit Margin**	
	2013		**2014**		2013	**2014**
	HK$'000	%	***HK$'000***	**%**	%	**%**
Injection drugs	168,697	87.5	**186,287**	**90.0**	24.5	**28.6**
Tablet drugs	11,377	5.9	**5,030**	**2.4**	19.8	**15.6**
Capsule drugs	11,071	5.7	**12,717**	**6.2**	58.0	**52.4**
Other drugs	1,709	0.9	**2,894**	**1.4**	33.4	**18.4**
Total	192,854	100.0	**206,928**	**100.0**	26.3	**29.6**

(i) Injection Drugs

The injection drugs segment generated a revenue of approximately HK$186.3 million for the year ended 31 December 2014 (2013: HK$168.7 million), representing an increase of approximately 10.4% as compared to 2013. Such increase was attributable to the increase in the sales of the Group's major products, namely Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) and Italy Levocarnitine Injection (進口左卡尼丁注射液). The sales of Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) and Italy Levocarnitine Injection (進口左卡尼丁注射液) commenced in April 2014 and June 2014 respectively. The gross profit margin of the injection drugs segment was approximately 28.6% in 2014, as compared to approximately 24.5% in 2013, representing an increase of approximately 4.1 percentage point from 2013, which was contributed from the growth in revenue generated from the new products with higher gross profit margin.

(ii) Tablet Drugs

The tablet drugs segment generated a revenue of approximately HK$5.0 million for the year ended 31 December 2014 (2013: HK$11.4 million), representing a decrease of approximately 56.1% as compared to 2013. Such decrease was attributable to the decrease in the sales of the Group's major products, namely Cefixime Dispersible Tablet (頭孢克肟分散片) due to such product having fallen within the category of antibiotics which should be under limited use as stated in the Administrator Catalogue of the Clinical Use of Antibiotics of Zhejiang Province (2012 version). The gross profit margin of the tablet drugs segment was approximately 15.6% in 2014, as compared to approximately 19.8% in 2013, which decreased by approximately 4.2 percentage point from 2013.

(iii) Capsule Drugs

The capsule drugs segment generated a revenue of approximately HK$12.7 million for the year ended 31 December 2014 (2013: HK$11.1 million), representing an increase of approximately 14.4% as compared to 2013. Such increase was attributable to the increase in sales of the Group's products. The gross profit margin of the capsule drugs segment was approximately 52.4% in 2014, as compared to approximately 58.0% in 2013, decreased by approximately 5.6 percentage point from 2013.

In regards to the Group's distribution network, as of 31 December 2014, the Group procured pharmaceutical products throughout the PRC from 31 suppliers and the Group sold the pharmaceutical products through a network of 124 distributor customers, of which 45 distributor customers covering Zhejiang province with the remaining 79 distributor customers being spread over 18 regions in the PRC, including Shanghai, Chongqing, Anhui province, Sichuan province, Hebei province and Guangdong province. In addition, the Group successfully promoted its products to around 800 hospitals through the last tendering process in Zhejiang province. The Group will assist its suppliers by providing (i) its industry and market expertise; (ii) the marketing intelligence of the products and the provincial market; and (iii) the competitive price suggestions in relation to the collective tendering process, to the suppliers. The Group's reliable supply network and extensive distributorship allow its products to penetrate into different niche markets effectively. The Group believes those assistance provided to the suppliers will strengthen the relationship between the Group and its suppliers and will increase the Group's exposure in the China's pharmaceutical market in order to attract reputable suppliers and distributor customers.

FUTURE PROSPECTS

(i) Industry Outlook

According to the World Health Organization, the PRC has a population of over 1.3 billion, with an annual growth of approximately 7 million currently. It is expected that the proportion of population aged 60 and above will reach 15% this year and further increase to 24% by 2030. As a result of the population's longer life expectancy, higher healthcare expenditure is expected. According to the National Bureau of Statistics of the PRC, total national healthcare expenditure in the PRC nearly doubled from RMB1,754.2 billion in 2009 to RMB3,166.9 billion in 2013, representing a CAGR of about 15.9%. In 2013, total national healthcare expenditure accounted for 5.6% of the GDP in the PRC.

(ii) Growth Strategies

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

The Group has been successfully identifying and acquiring the exclusive distribution rights of pharmaceutical products in order to maintain a diversified product portfolio, of which products are applied in the treatments of a range of illnesses such as cardiovascular diseases, cerebrovascular diseases, digestive system illness, rheumatism, urinary system illness, anti-viral infection and health supplements. The Group has actively identified and obtained new exclusive distribution rights of products in 2014. As at 31 December 2014, the Group obtained the distribution rights of 43 pharmaceutical products (2013: 40 pharmaceutical products).

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

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

The Group has actively identified and hired additional sales and marketing personnel throughout the Year to strengthen the Group's sales and marketing capabilities. In addition, after the listing in 2013 (the "Listing"), the Group is able to leverage with the Group's profile and brand recognition to approach various international pharmaceutical enterprises for business opportunities.

Meanwhile, in order to strengthen the competitive advantages over the Group's competitors, in Zhejiang province, the Group will continue to enhance its local distribution network and sales and marketing capabilities in the future. In addition, the Group has been exploring different opportunities to enhance its distribution capabilities (e.g. through the use of online distribution platform or expansion of the Group's geographical distribution network).

(iii) Recent Development

To further expand the business, the Group acquired below distribution rights of products in 2014 which are summarised as follows:

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 exclusive national distribution right for the product Cefamandole Nafate for Injection 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 deposit for obtaining the distribution right of the Cefamandole Nafate for Injection. The Group has renewed the distribution agreement which will expire on 31 December 2015. The deposit paid by the Group shall be refundable upon expiry of the distribution period, subject to deduction in proportion to the amount of sales of the Cefamandole Nafate for Injection which is below 85% of the sales target as stipulated in the aforementioned distribution agreement. The sales of the Cefamandole Nafate Injection commenced in April 2014.

Italy Levocarnitine Injection (進口左卡尼丁注射液)

In May 2014, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted exclusive provincial distribution right for Italy Levocarnitine Injection under two different specifications (i.e. 1.0g and 2.0g) in Zhejiang province. Pursuant to the distribution agreement, the distribution period commenced from May 2014 to the end of the next collective tendering period in Zhejiang province and the Group has paid RMB300,000 as the deposit for obtaining the distribution right 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 sales of the Italy Levocarnitine Injection which is below 80% of the sales target as stipulated in the aforementioned distribution agreement. The sales of the Italy Levocarnitine Injection commenced in June 2014.

Cefmetazole Sodium for Injection (注射用頭孢美鋰鈉)

In June 2014, the Company entered into a distribution agreement, pursuant to which the Group was granted exclusive provincial distribution right for Cefmetazole Sodium for Injection under one specification (i.e. 1.0g) in Hangzhou, Wenzhou, Huzhou and Jinhua of Zhejiang province. Pursuant to the distribution agreement, the distribution right will expire in June 2015 and the Group has paid RMB1 million as the deposit for obtaining the distribution right of this product. The deposit shall be refundable upon expiry of the distribution period, subject to deduction of an amount calculated based on the shortfall between the actual sales amount and 80% of the sales target multiplied by the distribution price as stipulated in the distribution agreement. Cefmetazole Sodium for Injection is mainly used to treat bronchitis, pneumonia, chronic respiratory diseases and lung abscess. The sales of the Cefmetazole Sodium for Injection commenced in July 2014.

Cefprozil Granules (頭孢丙烯顆粒)

In August 2014, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted exclusive national distribution right of Cefprozil Granules under two different specifications (i.e. 125mg x 6 packs and 125mg x 8 packs) in the PRC. Pursuant to the distribution agreement, the distribution period commenced from September 2014 to the end of November 2015. The Group is not required to pay any deposit for obtaining the distribution right of this product. Cefprozil Granules is mainly used to treat upper respiratory tract infection, Streptococcus pyogenes pharyngitis and tonsillitis. The sales of Cefprozil Granules commenced in October 2014.

Besides, the Group will continue to seek potential merger and acquisition opportunities in medical-related industries to diversify its business and create synergy for future development.

FINANCIAL REVIEW

Revenue

The total revenue for the Year was approximately HK$206.9 million, representing an increase of approximately 7.3% from approximately HK$192.9 million for the year ended 31 December 2013. The increase was due to the sales from new products such as Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), which was partly offset by the decrease in revenue from the cessation of sales of the Group's products with relatively low gross profit margin.

Cost of sales

The cost of sales for the Year was approximately HK$145.8 million, representing an increase of approximately 2.5% from approximately HK$142.2 million for the year ended 31 December 2013. The percentage of increase in the cost of sales was to a lesser extent than the increase in revenue, which was attributable to the increase in the proportion of revenue generated from products with relatively high gross profit margin.

Gross profit and gross profit margin

Gross profit increased by approximately HK$10.6 million, or approximately 20.9%, from approximately HK$50.6 million for the year ended 31 December 2013 to approximately HK$61.2 million for the Year due to the increased revenue generated from the Group's products and the increased average gross profit margin. The Group's gross profit margin increased from approximately 26.3% for the year ended 31 December 2013 to approximately 29.6% for the Year. Such increase in gross profit margin was mainly attributable to the increase in the proportion of the revenue generated from products with relatively high gross profit margin (including the products Clostridium Butyricum Capsule (酪酸梭菌活菌膠囊) and Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉)) over products with relatively low gross profit margin.

Other income and gains

Other income and gains for the Year was approximately HK$1.9 million, representing an increase of approximately 11.8% from approximately HK$1.7 million for the year ended 31 December 2013. Such increase in other income and gains was primarily attributable to the increase in bank interest income, sundry income and incentives received from the PRC government grants.

Selling and distribution expenses

Selling and distribution expenses for the Year was approximately HK$8.3 million, representing an increase of approximately 107.5% from approximately HK$4.0 million for the year ended 31 December 2013, which was primarily due to the Group's strategy on enhancing and expanding the Group's market share, distribution network and marketing efforts through (i) increasing the headcounts of the Group's marketing team, (ii) participating in drugs fairs held by PharmChina, a national pharmaceutical trade exhibition, to promote the Group's brand name, (iii) organizing and providing training programs and marketing materials to medical practitioners and the Group's distributor customers and (iv) the Group participated in various marketing activities on new products more frequently, especially those for promotion of the Group's Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉).

Administrative expenses

Administrative expenses for the Year was approximately HK$11.0 million, representing an increase of approximately 57.1% from approximately HK$7.0 million for last year which was primarily due to the increase in salary of the Group's employees and the professional fees including payments to external advisors for regulatory compliance.

Listing and other expenses

No listing and other expenses which represented the professional fees and other listing expenses for the Year were incurred as compared to approximately HK$10.2 million for the year ended 31 December 2013.

Finance costs

Finance costs for the Year was zero as compared to HK$2.4 million for the year ended 31 December 2013. The finance costs recorded in the last year were mainly (i) the net imputed interest adjustment on deposit paid to suppliers upon initial recognition of approximately HK$913,000; and (ii) the interest on the Group's borrowings of approximately HK$1,526,000 for the listing expenses and for payments in relation to the obtaining of distribution rights by the Group at the end of 2012 and early 2013. The Group repaid all the borrowings for listing expenses and for payments in relation to the obtaining of distribution rights during 2013.

Income tax expenses

Income tax expenses for the Year was approximately HK$14.2 million, representing an increase of approximately 25.7% from approximately HK$11.3 million in 2013. The increase was mainly due to (i) the increase in profit before tax and (ii) the increase in deferred tax on undistributed earnings of PRC subsidiaries, which was partially offset by the decrease in the tax effect of expense not deductible for tax purpose resulted from the payment of the listing expenses and the imputed interest adjustment on deposit paid to suppliers upon initial recognition.

Profit for the year

Profit for the Year was approximately HK$29.7 million, representing an increase of approximately 70.7% from approximately HK$17.4 million for the year ended 31 December 2013. The increase was primarily due to the increase in revenue and gross profit, and the absence of finance costs and listing expenses, which was incurred by the Group for the year ended 31 December 2013, in the Year despite that it was partially offset by the increase in selling and distribution expenses and administrative expenses.

Liquidity and Financial Resources

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

The Group's gearing ratio (total bank and other borrowings divided by total equity) was zero (2013: zero) as the Group had no outstanding bank and other borrowings as at 31 December 2014.

The Group had net cash (total cash and cash equivalents less bank and other borrowings) of approximately HK$150.9 million as at 31 December 2014 (2013: approximately HK$93.4 million, net cash). The Group's cash and cash equivalents amounted to approximately HK$150.9 million in total as at 31 December 2014 (2013: HK$93.4 million). Total bank and other borrowings as at 31 December 2014 was nil (2013: nil).

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

Foreign currency risk

The Group carries out its business in the PRC and most of the transactions are denominated in Renminbi ("RMB"). The Group has foreign currency bank balances which expose the Group to foreign currency risk. To mitigate the currency risk, the Group continually assesses and monitors the exposure of the exchange rate fluctuations. During the Year, the Directors did not consider it necessary to adopt a foreign currency hedging policy as the potential impact to the profit or loss of the Group due to the exchange rate fluctuations is immaterial.

Employee Information

As at 31 December 2014, the Group had 42 employees (2013: 38). Staff costs for the Year, including Directors' remuneration, amounted to approximately HK$7.7 million (2013: HK$4.6 million). The Group's remuneration policy is based on the positions, duties and performances of the employees. The employees' remunerations vary according to their positions, which may include salaries, overtime allowances, bonuses and various subsidies. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. In addition, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations.

The Group has also adopted other employee benefits including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance, and has participated in employee pension schemes organised and governed by the relevant local governments for its employees in the PRC.

Contingent Liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities.

Material Acquisitions or Disposals and Significant Investments

There has been no material acquisition or disposal of subsidiaries and affiliated companies during the Year.

As disclosed in the announcement of the Company dated 12 December 2014, China New Rich Medicine Holding Co. Limited, a wholly-owned subsidiary of the Company, entered into the Cornerstone Investment Agreement dated 12 December 2014 as a subscriber in respect of the proposed subscription of shares in BBI Life Sciences Corporation at the aggregate offer price of US$2,500,000 (equivalent to approximately HK$19,500,000). The subscription of shares in BBI Life Sciences was completed in 2014. The subscribed shares in BBI Life Sciences Corporation are accounted for as available for sale investments under the consolidated financial statements of the Group and the amount of HK$860,000 was recognised in investments revaluation reserve due to the decrease in fair value during the Year.

Capital Structure

The capital of the Company comprises only ordinary shares. As at 31 December 2014, the Group had shareholders' equity of approximately HK$303,191,000.

Placing of existing shares and subscriptions of new shares under general mandate

On 27 October 2014, the Company and Mr. Zhou Ling ("Mr. Zhou") and Mr. Dai Haidong ("Mr. Dai") and SBI China Capital Financial Services Limited ("Top-up Placing Agent") entered into the placing agreement ("Top-up Placing Agreement") pursuant to which Mr. Zhou and Mr. Dai agreed to place through the Top-up Placing Agent, on a best effort basis, up to an aggregate of 160,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company ("Top-up Placing Shares"), to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with Mr. Zhou and Mr. Dai or any of their respective associates or any connected persons of the Company, at a price of HK$0.56 per Top-up Placing Share ("Top-up Placing Price") ("Top-up Placing") which represents: (i) a discount of approximately 17.65% to the closing price of HK$0.68 per share of the Company as quoted on the Stock Exchange on the date of the Top-up Placing Agreement; and (ii) a discount of approximately 19.08% over the average closing price of HK$0.692 per share of the Company as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Top-up Placing Agreement.

On 27 October 2014, Mr. Zhou also entered into the subscription agreement with the Company, pursuant to which Mr. Zhou agreed to subscribe for a maximum of 99,160,000 new ordinary shares of the Company which is equal to the number of the Top-up Placing Shares actually placed by Mr. Zhou under the Top-up Placing Agreement, at a subscription price of HK$0.56 per share which is equivalent to the Top-up Placing Price ("Mr. Zhou's Subscription").

On the same day, Mr. Dai entered into another subscription agreement with the Company, pursuant to which Mr. Dai agreed to subscribe for a maximum of 60,840,000 of new ordinary shares of the Company which is equal to the number of the Top-up Placing Shares actually placed by Mr. Dai under the Top-up Placing Agreement, at a subscription price of HK$0.56 per share which is equivalent to the Top-up Placing Price (together with Mr. Zhou's Subscription, referred to as the "Subscriptions").

The Directors considered various ways of raising funds and considered that the Top-up Placing and the Subscriptions represented a good opportunity to raise capital for the Company while broadening the Shareholder base and strengthening the capital base of the Company. Completion of the Top-up Placing took place on 30 October 2014 and completion of the Subscriptions took place on 5 November 2014. The Company received net proceeds of approximately HK$84.8 million from the Subscriptions. On such basis, the net price to the Company of each Share allotted and issued under the Subscriptions ("Subscription Shares") was approximately HK$0.53. The aggregate nominal value of the Subscription Shares under the Placing was HK$1,600,000.

The Company intended to use the total net proceeds from the Subscriptions as to about 20% for general working capital of the Group and as to about 80% for potential investment when opportunities arise. Up to the date of this announcement, approximately HK$17.0 million has been utilized as general working capital of the Group and approximately HK$19.6 million has been utilized for the subscription shares in BBI Life Sciences Corporation, details of which are set out in the Company's announcement dated 12 December 2014.

Pledge of assets

The Group has pledged the buildings and prepaid lease payments with the aggregate carrying values of approximately HK$12.2 million (2013: HK$12.7 million) as at 31 December 2014 to secure general banking facilities granted to the Group.

Subsequent events

On 14 February 2015, Major Bright Holdings Limited (a wholly-owned subsidiary of the Company) ("Major Bright") and Ms. Zhao Lei ("Prospective Seller"), an independent third party, entered into the memorandum of understanding ("MOU") in respect of the proposed acquisition of 50% of the equity interest of Saike International Medical Group Limited ("Proposed Acquisition"). Saike International Medical Group Limited and its subsidiaries are principally engaged in the trading of medical devices and equipment in the Zhejiang province of the PRC. On 4 March 2015, Major Bright has paid the earnest money of RMB20 million (equivalent to approximately HK$24.8 million) in cash to the Prospective Seller as part of the consideration for the Proposed Acquisition pursuant to the MOU. If Major Bright and the Prospective Seller have not entered into the formal sale and purchase agreement up to 30 April 2015, the Prospective Seller shall refund to the Company, without interest, a sum which is equal to the earnest money on or before 6 May 2015. Details of the Proposed Acquisition are set out in the Company's announcement dated 14 February 2015.

On 27 February 2015, the Company and Gransing Securities Co., Limited ("Placing Agent") entered into the conditional placing agreement, pursuant to which the Company had conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 245,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company ("SM Placing Share"), to not less than six placees who and whose ultimate beneficial owners are third party(ies) independent of the Company and not connected nor acting in concert with any of the connected persons of the Company or their respective associates, at a price of HK$0.425 per SM Placing Share ("SM Placing") ("SM Placing Agreement"), which represents: (i) a discount of approximately 16.7% to the closing price of HK$0.51 per share of the Company as quoted on the Stock Exchange on the date of the SM Placing Agreement; and (ii) a discount of approximately 15.3% over the average closing price of HK$0.502 per share of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the SM Placing Agreement. The SM Placing shall be subject to the conditions which include: (1) the Stock Exchange granting the listing of, and permission to deal in, the SM Placing Shares; and (2) the specific mandate for the allotment and issue of up to a maximum of 245,000,000 SM Placing Shares being obtained at the Company's special general meeting. Assuming the maximum number of SM Placing Shares is placed under the SM Placing Agreement, the gross proceeds from the SM Placing will be approximately HK$104.13 million and the net proceeds from the SM Placing will be approximately HK$100.00 million (after deduction of commission and other expenses of the SM Placing). As at the date of this announcement, the completion of the SM Placing has not yet taken place. Details of the SM Placing are set out in the Company's announcement dated 27 February 2015.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2014 is scheduled to be held at 1/F., Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong on Monday, 15 June 2015 at 9:00 a.m. ("AGM"). A notice convening the AGM will be issued and disseminated to the shareholders of the Company in due course.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year.

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 Year.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Code provision A.2.7 of the CG Code requires that the chairman of the Board to hold meetings at least annually with the non-executive Directors (including the independent non-executive Directors) without the executive Directors present. The Chairman of the Board during the Year, Mr. Zhou Ling, was himself an executive Director and as such compliance with this code provision was infeasible. During the Year, save as disclosed above, the Company has complied with the code provisions set out in the CG Code, to the extent applicable and permissible.

DIRECTORS' SECURITIES TRANSACTIONS

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

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the Year have been reviewed by the Audit Committee of the Board.

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

Hong Kong, 19 March 2015

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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