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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 TRANSACTION: ACQUISITION OF 50% INTEREST IN THE TARGET

ACQUISITION

The Board is pleased to announce that, after the trading hours on 20 March 2015, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the SP Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, representing 50% of the issued share capital in the Target, at an aggregate consideration of RMB95 million (equivalent to approximately HK\$118.8 million).

The Target Group is principally engaged in the trading of medical devices and equipment in the PRC. Immediately after Completion, the Purchaser will hold 50% of the equity interest in the Target and each member of the Target Group will become an associate of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratios under the GEM Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

Reference is made to the announcement of the Company dated 14 February 2015 (“**Announcement**”) in relation to the MOU entered into between the Purchaser and the Vendor for the possible sale and purchase of 50% of the equity interests in the Target.

The Board is pleased to announce that, after the trading hours on 20 March 2015, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the SP Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, representing 50% equity interest in the Target, at the Consideration.

THE SP AGREEMENT

The principal terms of the SP Agreement are set out below.

Date:

20 March 2015

Parties:

Vendor : Ms. Zhao Lei

Purchaser : Major Bright Holdings Limited, a company incorporated in the BVI with limited liability and principally engaged in investment holding and a wholly-owned subsidiary of the Company as at the date of this announcement.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired:

The Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, representing 50% of the issued share capital in the Target.

Consideration:

The Consideration for the Acquisition payable by the Purchaser to the Vendor is RMB95 million (equivalent to approximately HK\$118.8 million). The Consideration shall be settled in cash in the following manner:

1. as to RMB20 million (equivalent to approximately HK\$25 million) (“**Deposit**”), which has been paid by the Purchaser to the Vendor as earnest money pursuant to the MOU, such Deposit shall be applied towards as part payment of the Consideration upon Completion;
2. as to RMB75 million (equivalent to approximately HK\$93.8 million), being the remaining balance of the Consideration, which shall be payable upon Completion.

The Consideration paid shall be subject to downward adjustments as follows:

- (i) in the event that the 2015 Audited Profits are less than RMB19 million (equivalent to approximately HK\$23.8 million) (“**2015 Target Profits**”), the Vendor shall pay to the Purchaser within 10 business days after the 2015 Accounts is made available to the Purchaser a sum in cash equal to the difference between the 2015 Target Profits and the 2015 Audited Profits;
- (ii) in the event that the 2016 Audited Profits are less than RMB22 million (equivalent to approximately HK\$27.5 million) (“**2016 Target Profits**”), the Vendor shall pay to the Purchaser within 10 business days after the 2016 Accounts is made available to the Purchaser a sum in cash equal to the difference between the 2016 Target Profits and the 2016 Audited Profits; and
- (iii) in the event that the 2017 Audited Profits are less than RMB25 million (equivalent to approximately HK\$31.3 million) (“**2017 Target Profits**”), the Vendor shall pay to the Purchaser within 10 business days after the 2017 Accounts is made available to the Purchaser a sum in cash equal to the difference between the 2017 Target Profits and the 2017 Audited Profits.

Basis of consideration:

The Consideration, together with its adjustment mechanism, is determined by the Vendor and the Purchaser after arm's length negotiation on normal commercial terms with reference to (i) historical financial performance of the WFOE for the year ended 31 December 2013 and 2014 in view of the substantial growth in the revenue and the net profits before taxation of the WFOE for the year ended 31 December 2014 as compared with those for the year ended 31 December 2013 as set out in the section headed "Information on the Target Group" below; and (ii) the business potential of the Target Group taking into account of the WFOE being the holder of the Permit for Medical Devices Operation Enterprises (醫療器械經營企業許可證) issued by provincial food and drug administration for the distribution of Classes II and III medical devices.

The Consideration will be funded by the Group's internal resources and/or further fund raising exercise by way of equity issue and/or a combination of the above.

Conditions Precedent:

Completion shall be conditional upon the following conditions precedent having been fulfilled:

- (1) the Purchaser having carried out and completed the due diligence review of the Target Group (whether legal, accounting, financial, operational or other aspects that the Purchaser considers necessary) and being satisfied with the results of the due diligence review of the Target Group and its related business, assets, liabilities, activities, operations, financial position and prospects of the Target Group in all respects;
- (2) the Company having complied with the requirements under the GEM Listing Rules in respect of the transactions contemplated under the SP Agreement;
- (3) the completion of the Placing and that the Placing having raised net proceeds of not less than HK\$70 million;
- (4) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by the SP Agreement required to be obtained on the part of the Vendor, the Purchaser and the Target Group having been obtained by the Purchaser;
- (5) the Purchaser being satisfied, from the date of the SP Agreement and at any time before Completion, that the Vendor's Warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the Vendor's Warranties or other provisions of the SP Agreement by the Vendor; and
- (6) there being no Material Adverse Change up to Completion.

The Purchaser may waive the Conditions Precedent (1), (3), (5) and (6) above at any time before the Long Stop Date by notice in writing to the Vendor. Save as aforesaid, none of the Conditions Precedent is capable of being waived.

If any of the Conditions above shall not have been fulfilled or (if applicable) waived at or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the parties under the SP Agreement shall cease and terminate, save and except for (i) provisions in relation to confidentiality, costs and expenses, miscellaneous matters, notices and governing law and jurisdiction which provisions shall remain in full force and effect, and no party under the SP Agreement shall have any claim against the other save for claim (if any) in respect of any antecedent breach under the SP Agreement; and (ii) the Vendor shall within five business days after the Long Stop Date return an amount equal to the Deposit, without interest, to the Purchaser (or it may direct).

Completion:

Upon fulfillment or waiver of all the above Conditions Precedent, Completion shall take place on the Completion Date.

Immediately after Completion, the Purchaser will hold 50% of the issued share capital in the Target and each member of the Target Group will become an associate of the Company.

Non-disposal undertaking by the Vendor:

The Vendor has undertaken to the Purchaser that from the date of the SP Agreement to 31 December 2017, other than for the transfer of the Sale Shares to the Purchaser pursuant to the terms of the SP Agreement, and save with the prior written consent of the Purchaser, the Vendor shall remain as the beneficial owner, free from all encumbrances and third party right, of all the shares of the Target held by her and shall not create or permit to subsist any pledge, lien or charge over, or grant any option or other rights over or sell, transfer or dispose of, whether directly or indirectly, conditionally or unconditionally, any interest in, any of the shares of the Target held by her.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the BVI with limited liability on 1 July 2014 and is principally engaged in investment holding. As at the date of this announcement, the Target holds 100% of the equity interests of the HK Subsidiary, an investment holding company incorporated in Hong Kong with limited liability on 28 October 2014. As at the date of this announcement, the HK Subsidiary holds 100% of the equity interests of the WFOE.

The WFOE is a wholly foreign owned enterprise established in in the PRC on 23 October 2012 and is principally engaged in the trading of medical devices and equipment in the PRC.

The WFOE is the holder of the Permit for Medical Devices Operation Enterprises (醫療器械經營企業許可證) issued by provincial food and drug administration for the distribution of Classes II and III medical devices.

As each of the Target and the HK Subsidiary is newly incorporated, no audited financial information for the year ended 2013 and 2014 on each of the Target and the HK Subsidiary is presented in this announcement.

The unaudited total assets value and the net assets value of the Target Group as at 28 February 2015 are approximately RMB33,874,000 (equivalent to approximately HK\$42,343,000) and approximately RMB7,664,000 (equivalent to approximately HK\$9,580,000) respectively.

The audited financial information of the WFOE for the year ended 31 December 2013 and 31 December 2014 respectively are as follows:

	For the year ended 31 December 2013 RMB (approximately)	For the year ended 31 December 2014 RMB (approximately)
Revenue	21,588,000 (equivalent to approximately HK\$26,985,000)	75,284,000 (equivalent to approximately HK\$94,105,000)
Net profit/(loss) before taxation	(468,000) (equivalent to approximately HK\$585,000)	2,669,000 (equivalent to approximately HK\$3,336,250)
Net profit/(loss) after taxation	(558,000) (equivalent to approximately HK\$697,500)	1,951,000 (equivalent to approximately HK\$2,438,750)

INFORMATION ABOUT THE GROUP

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

As stated in the interim report 2014 of the Company, the management of the Company believed the PRC medical device market is in the process of opening up which offers numerous investment opportunities with good potential, and it is the intention of the management of the Company to consider and evaluate investment opportunities in the PRC medical device market should the suitable opportunities has come up. The management of the Company would also review the current businesses, operations and/or directions of the Group from time to time to seize the opportunities and adopt appropriate measures and strategies to strive for better returns for the shareholders of the Company.

The management of the Group are of the view that (i) the medical devices industry in the PRC has been experiencing robust growth; (ii) the Group can leverage its profound knowledge and experience in the pharmaceutical distribution businesses in the PRC; and (iii) the distribution model of the pharmaceutical products are similar to the distribution model of medical devices, taking into account that the ultimate users of the Target Group are both coming from the public and private healthcare institutions in the PRC. Therefore the Board considers that the Acquisition represents an opportunity for the Group to explore the PRC medical device market in order to increase profits of the Group in long term.

In addition, the Directors consider that the Acquisition will enable the Group to diversify its business and revenue sources into the trading business of medical devices and equipment in the PRC.

The Directors are of the view that the terms of the SP Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratios under the GEM Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“2015 Accounts”	the audited consolidated accounts of the Target Group for the year ending 31 December 2015 prepared in accordance with the generally accepted accounting principles in Hong Kong
“2015 Audited Profits”	the audited consolidated net profits of the Target Group after taxation for the year ending 31 December 2015 as recorded in the 2015 Accounts
“2016 Accounts”	the audited consolidated accounts of the Target Group for the year ending 31 December 2016 prepared in accordance with the generally accepted accounting principles in Hong Kong

“2016 Audited Profits”	the audited consolidated net profits of the Target Group after taxation for the year ending 31 December 2016 as recorded in the 2016 Accounts
“2017 Accounts”	the audited consolidated accounts of the Target Group for the year ending 31 December 2017 prepared in accordance with the generally accepted accounting principles in Hong Kong
“2017 Audited Profits”	the audited consolidated net profits of the Target Group after taxation for the year ending 31 December 2017 as recorded in the 2017 Accounts
“Acquisition”	the acquisition of the Sale Shares
“Board”	the board of Directors
“BVI”	British Virgin Islands
“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
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the SP Agreement
“Completion Date”	the date of Completion, which means the fifth business day after the last outstanding Condition Precedent shall have been fulfilled or waived (or such other date agreed by the Vendor and the Purchaser in writing) on which Completion is to take place (or such other date as the Vendor and the Purchaser shall agree in writing)
“Condition(s) Precedent”	condition(s) precedent to the Completion as set out in the paragraph headed “Conditions Precedent” of this announcement
“connected person(s)”	has the meaning as ascribed to it in the GEM Listing Rules

“Consideration”	the aggregate sum of RMB95 million (equivalent to approximately HK\$118.8 million), being the consideration for the sale and purchase of the Sale Shares (subject to adjustments)
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	Saike (China) Limited, a company incorporated in Hong Kong with limited liability and is wholly owned by the Target
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party who is not a connected person of the Company and is independent of the Company and its connected persons
“Long Stop Date”	30 June 2015 (or such later date as the Vendor and the Purchaser may agree in writing)
“Material Adverse Change”	any change (or effect) which has a material and adverse effect on the financial position, business or prospects or results of operations, of the Target Group as a whole
“MOU”	the memorandum of understanding dated 14 February 2015 entered into between the Vendor and the Purchaser in relation to the proposed Acquisition, details of which are disclosed in the announcement of the Company dated 14 February 2015
“PRC”	the Peoples’ Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“Placing”	the offer by way of private placing of a maximum of 245,000,000 new shares of the Company to placee(s), on a best endeavour basis, pursuant to the conditional placing agreement dated 27 February 2015 entered into between the Company and Gransing Securities Co., Limited, details of which are set out in the announcement of the Company dated 27 February 2015
“Purchaser”	Major Bright Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	50 issued shares in the capital of the Target, representing 50% of the issued share capital in the Target
“SP Agreement”	the sale and purchase agreement dated 20 March 2015 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Saike International Medical Group Limited, a company incorporated in the BVI with limited liability and is wholly owned by the Vendor
“Target Group”	the Target, the HK Subsidiary and the WFOE
“Vendor”	Ms. Zhao Lei
“Vendor’s Warranties”	the representations, warranties and undertakings given by the Vendor under the SP Agreement
“WFOE”	杭州賽科醫療器械有限公司 (in English, for identification purpose, Hangzhou Saike Medical Devices Co., Ltd.), a wholly foreign owned enterprise established in the PRC with limited liability and a direct wholly-owned subsidiary of the HK Subsidiary

In this announcement, for the purpose of illustration only, amounts quoted in RMB has been converted into HK\$ at the rate of RMB1.00 to HK\$1.25. Such exchange rate has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 20 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 “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>.