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 REPORT 2014

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Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

Board Committees

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

Company Secretary

Mr. Lai Kwok Wa, *HKICPA*

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Stock Code

8180

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Headquarters

B-C, 37/F
Dikai International Center
19 Dangui Road
Hangzhou, the People's Republic of China ("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

Principal Banker

Agricultural Bank of China
Hangzhou Fu Rong Sub-branch
No. 21 Cai He Road
Jianggan District
Hangzhou City
Zhejiang Province
PRC

Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Website

www.newraymedicine.com

Financial Summary

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).

Financial Summary

	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Operating results			
Revenue	175,042	192,854	**206,928**
Gross profit	38,993	50,635	**61,177**
Profit before tax	22,185	28,724	**43,858**
Profit for the year	15,327	17,403	**29,681**
Profitability			
Gross profit margin	22.3%	26.3%	**29.6%**
Net profit margin	8.8%	9.0%	**14.3%**
Asset status			
Total assets	166,275	233,887	**329,734**
Equity attributable to owners of the Company	134,393	213,198	**303,191**
Total liabilities	31,882	20,689	**26,543**
Bank balances and cash	26,289	93,409	**150,942**
Quick ratio (times)	4.6	12.0	**13.0**
Current ratio (times)	5.2	12.5	**13.7**

Chairman's Statement

On behalf of the board (the "Board") of Directors of New Ray Medicine International Holding Limited ("New Ray Medicine" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the audited annual results of the Group for the year ended 31 December 2014 (the "Year"). The Group has continued to maintain its leading position in the prescription drug market in Zhejiang province with its unremitting efforts in business development. During the Year, the Group successfully implemented its strategy of product diversification and expansion of its distribution network through obtaining new exclusive distribution rights and enlarging its market share by sourcing new products complementary to the Group's existing product portfolio. This has significantly enhanced the capabilities of the Group and laid a solid foundation for the Group's future development.

Throughout 2014, China's pharmaceutical industry continued to grow due to the acceleration of urbanization, aging population and expanded medical insurance coverage in the country. In addition, the PRC government has increased its support to the pharmaceutical industry by positioning a national strategy to promote the innovation and healthy development of the industry. According to the "12th Five-Year Plan" for national economic and social development of the PRC, the PRC government intends to make available more healthcare resources to the rural population and the suburban communities.

During the Year, the Group recorded a revenue of approximately HK$206.9 million, representing an increase of approximately 7.3% from approximately HK$192.9 million in 2013. The gross profit margin was approximately 29.6%, increased by approximately 3.3 percentage point, from approximately 26.3% for the year ended 31 December 2013. Net profit attributable to equity shareholders for the Year amounted to 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 Group has continued to enrich its strengths as one of the leading distributors of pharmaceutical products in Zhejiang province by connecting with pharmaceutical manufacturers and pharmaceutical distributors, hospitals or retailers to secure and expand its market share. Throughout the Year, the Group had been continuing to (i) identify and acquire new exclusive distribution rights from the suppliers; (ii) expand the customer base with a primary focus in Zhejiang province; and (iii) maintain the profitability in the fragmented PRC's pharmaceutical market. The Group has a strong financial position, proven track records and the ability to penetrate new markets. Encouraging achievements were also seen in marketing and sales of the Group. As at 31 December 2014, the Group sourced and procured pharmaceutical products through a network of 31 suppliers which comprised manufacturers and pharmaceutical companies, and sold all of its pharmaceutical products through its network of 124 distributor customers which included 45 distributor customers being located in Zhejiang province with the remaining 79 distributors customers being spread over 18 regions in the PRC, including Shanghai, Chongqing, Anhui province, Sichuan province, Hebei province and Guangdong province. The Group made use of its financial resources and expertise in exploring and sourcing the distribution rights of products, as well as promoting the market development of the products.

Chairman's Statement

The Directors believe that the recent ongoing healthcare reform initiated by the PRC government will generate various good opportunities for the players in the pharmaceutical industry in the PRC. The Group will continue to grasp the opportunities and apart from the ongoing products and businesses diversification, the Group will continue its strategy to further expand its business operation in other provinces. The Group is well-positioned to weather the challenges arising from the external policy changes and market competition. More importantly, the Group will continue to leverage its strength and expertise in the PRC pharmaceutical industry, to continue establishing partnership with the overseas pharmaceutical manufacturers and suppliers, in order to gain wider exposure for the Group in the global pharmaceutical market.

Looking ahead, as the Group has continued to grow and become more mature, the development strategy becomes clearer and the Group will adhere to expand its market share by establishing a continuous pipeline of new products through effort in cooperative development and acquisitions. The Group will also turn challenges into opportunities by closely monitoring the guidelines of the national policies and adapting to political and market changes. Furthermore, the PRC government has identified the pharmaceutical industry as one of its strategic focuses for future development, and has stepped up support for innovation in the industry with newly announced policies. New Ray Medicine, a pharmaceutical company focused on proprietary drugs with outstanding marketing and sales, is poised to benefit from this development.

In 2015, the Group's objectives are to consolidate and strengthen its position as one of the leading distributors of pharmaceutical products in Zhejiang province. Leveraging its strong sales and marketing capabilities, a portfolio of quality products, experienced and professional management team, as well as our dedicated staff, the Group is confident with its future development in the challenging operating environment in 2015. New Ray Medicine has enhanced its competitive advantage from product sourcing to product distribution in order to encounter the already intensified market competition. With its outstanding capabilities in sales and marketing, the Group is poised to exploit the trend of industry consolidation to achieve sustainable development going forward.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our shareholders, investors, suppliers, distributor customers and business partners for their strong support to the Group. I would also like to express my heartfelt appreciation to our Directors and all staff for their diligence and contribution throughout the Year.

Zhou Ling
Chairman and Executive Director

Hong Kong
19 March 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% 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**

Business Review *(Continued)*

(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.

Management Discussion and Analysis

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).

Future Prospects *(Continued)*

(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 (注射用頭孢美鋞鈉)

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 RMB 1 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.

Principal risks and Uncertainties

There are certain principal risks and uncertainties related to the business of the Group in the PRC's pharmaceutical industry, the principal risks are:

- the reliance on the Group's suppliers and distributor customers – the Group's business relies on the products provided by its suppliers which are in turn distributed through the distributor customers of the Group to ultimate customers such as hospitals and medical institutions in the PRC. However, the Group does not have long-term commitments from these suppliers and distributor customers. In order to minimise the risk, the Group will continue to diversify the existing product portfolio and expand the distribution networks; and

- the government policies of the pharmaceutical industry in the PRC – the pharmaceutical industry in the PRC is highly regulated, a substantial amount of the products distributed by the Group are subject to the government price controls or other price restrictions in the PRC. To mitigate the impact of the government policies of the pharmaceutical industry in the PRC, the Group will continue to seek potential merger and acquisition opportunities in medical related industries to diversify its business risks.

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.

Financial Review *(Continued)*

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 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.

Financial Review *(Continued)*

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.

Financial Review *(Continued)*

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.

Financial Review *(Continued)*

Placing of existing shares and subscriptions of new shares under general mandate *(Continued)*

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 report, 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.

Financial Review *(Continued)*

Subsequent events

(i) Proposed acquisition of 50% of the equity interest of Saike International Medical Group Limited ("Saike International")

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 ("Proposed Acquisition"). Saike International 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.

(ii) Proposed placing of new shares of the Company under specific mandate

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 report, 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.

(iii) Proposed transfer of the Listing

Pursuant to the Company's announcement dated 19 March 2015, the Company is considering making an application for the transfer of listing of the Shares of the Company from GEM to the Main Board of the Stock Exchange.

The Company was in the process of assessing the fulfilment of requirements for applying for the transfer of listing from GEM to the Main Board under Rule 9A.02 of the GEM Listing Rules.

No application relating thereto has been made to the Stock Exchange as at the date of this annual report.

Financial Review *(Continued)*

Comparison between Business Plan and Actual Business Progress:

The following is a comparison between the Group's business plan as set out in the prospectus of the Company dated 18 October 2013 ("Prospectus") and the actual business progress during the Year:

Business objectives as set out in the Prospectus	Implementation activities during the Year
The Group will evaluate, explore and obtain 1 exclusive national distribution right(s) of new pharmaceutical products with a focus on Zhejiang province and Eastern China region.	In February 2014, the Group entered into a distribution agreement with a distributor in the PRC, pursuant to which the Group was granted the exclusive national distribution rights of the Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉) in the PRC. 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 (頭孢丙烯顆粒) in the PRC.
The Group will recruit approximately 3 to 4 sales and marketing personnel in its sales and marketing team for its business expansion.	The Group increased 4 headcounts in its marketing team.
The Group will explore opportunities in organising, participating and sponsoring various medical seminars or conferences and product launching events.	The Group has participated in drugs fairs held by PharmChina in Suzhou and Guangzhou, the national pharmaceutical trade exhibitions during 2014.
The Group will maintain its strong presence in Zhejiang province and will extend its presence to the second and third tier cities in the Zhejiang province and Eastern China region in the PRC.	The Group has recruited marketing agents to carry out marketing activities promoting the Group's products in Zhejiang province.
The Group will cooperate with medical institutions and practitioners in the PRC to participate in more clinical applications.	The Group has cooperated with certain medical institutions and practitioners in the PRC to participate in clinical applications.
The Group will organise and provide training programmes and marketing materials to medical practitioners and the Group's distributor customers, respectively.	The Group has organised and provided training programmes and marketing materials to medical practitioners and the Group's distributor customers for the Group's new 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).

Financial Review *(Continued)*

Use of proceeds from placing

On 25 October 2013, 280,000,000 shares of HK$0.01 each of the Company were issued at an issue price of HK$0.25 each by way of placing ("Placing"). The net proceeds arising from the Placing were approximately HK$41 million, which was calculated based on the final placing price of HK$0.25 per share and after deducting the actual expenses related to the Listing. During the Year, the net proceeds from the Placing had been applied as follows:

	Intended use of proceeds as shown in the Prospectus during the Year HK$ million	Actual use of the proceeds during the Year HK$ million
To obtain new exclusive distribution rights of products	12.5	12.5
To continue expanding and strengthening the Group's distribution network and marketing efforts	3.7	3.7

The Board will constantly evaluate the Group's business objectives and will change or modify plans against the changing market conditions to ascertain the business growth of the Group.

Biographical Details of the Directors and Senior Management

Executive Directors

Mr. Zhou Ling, ("Mr. Zhou") aged 38, is the Chairman and an executive Director of the Company, and one of the founding members of the Company and its subsidiaries (collectively the "Group"). Mr. Zhou joined the Group in 2001. He has over 15 years of experience in pharmaceutical distribution industry. He graduated from the Correspondence Institute of the Party School of the Central Committee of Communist Party of China, majoring in economics management. He is responsible for the operation of our Group's business and the overall sales and marketing strategies of the Group. He is also a director of a number of subsidiaries of the Company. He is the spouse of Ms. Yang Fang, who is an executive Director of the Company. He and Ms. Yang Fang are collectively interested in approximately 15.3% issued shares in the Company.

Mr. Dai Haidong, ("Mr. Dai") aged 38, is the Chief Executive Officer and an executive Director of the Company, and one of the founding members of our Group. Mr. Dai joined the Group in 2001. He has over 14 years of experience in pharmaceutical industry. Mr. Dai graduated from the Correspondence Institute of the Party School of the Central Committee of Communist Party of China, majoring in economics management. He is responsible for the operation of our Group's business and the overall development of sales and marketing management and strategies of the Group. He is interested in approximately 6.3% issued shares in the Company.

Ms. Yang Fang, ("Ms. Yang") aged 38, is an executive Director of the Company. Ms. Yang joined the Group in 2005. Prior to joining our Group, Ms. Yang was a pharmacist of Zhejiang Province Prison's Hospital from 1995 to 2004 and a quality control officer of Hainan Rich Medicine Co., Ltd from 2004 to 2007. She has over 16 years of experience in the pharmaceutical industry. She completed an online post-secondary course in pharmacy at Institute of Distance Education of Zhejiang University in 2008. Ms. Yang is a registered pharmacist in the PRC. She is responsible for the overall administrative and human resource function of our Group. She is the spouse of Mr. Zhou Ling who is an executive Director of the Company. She and Mr. Zhou Ling are collectively interested in approximately 15.3% issued shares in the Company.

Mr. Lee Chik Yuet, ("Mr. Lee") aged 60, is an executive Director and the compliance officer of the Company. Mr. Lee joined the Group in 2012. Mr. Lee graduated from The Chinese University of Hong Kong with a bachelor degree in Social Sciences. He also holds a bachelor degree and a master degree in Laws from The University of Hong Kong. Prior to joining the Group, Mr. Lee had been a practising solicitor for more than 14 years in Hong Kong specialized in commercial, corporate finance and investment laws and practice in Hong Kong and the PRC. Mr. Lee is currently a director of Town Health International Medical Group Limited, which is interested in approximately 26% issued shares in the Company.

Biographical Details of the Directors and Senior Management

Independent Non-executive Directors

Mr. Ho Hau Cheung, *BBS, MH*, ("Mr. Ho") aged 62, has been an independent non-executive Director of the Company since 26 September 2013. Mr. Ho is currently an elected member of Shatin District Council in Hong Kong. Mr. Ho was awarded the Medal of Honour in 2006 and the Bronze Bauhinia Star in 2011, respectively, by the Government of Hong Kong. Mr. Ho has been working in the education field in Hong Kong for more than 30 years. He obtained a bachelor degree in education in 1991 from Wolverhampton Polytechnic (currently known as University of Wolverhampton), United Kingdom.

Mr. Sung Hak Keung, Andy, ("Mr. Sung") aged 41, has been an independent non-executive Director of the Company since 26 September 2013. Mr. Sung has over 13 years of experience in accounting and finance industry. Prior to joining our Group, Mr. Sung has worked in an international accounting firm in Hong Kong. Mr. Sung is a member of Certified Public Accountants of the United States, a certified public accountant of the Hong Kong Institute of Certified Public Accountants and Chartered Global Management Accountant of the United States. Mr. Sung has obtained a bachelor degree in commerce in 1997 from University of Toronto, Canada and obtained a master degree in business administration in 2007 from University of Manchester, United Kingdom. Mr. Sung was a vice president of Oriental City Group Holdings Limited (stock code: 8325) during the period from August 2009 to 13 November 2013, the issued shares of which are listed on GEM. He was a company secretary of Oriental City Group Holdings Limited (stock code: 8325) during the period from January 2009 to 11 January 2013.

Mr. Leung Chi Kin, ("Mr. Leung") aged 65, has been an independent non-executive Director of the Company since 26 September 2013. Mr. Leung was an elected member of the Shatin District Council in Hong Kong from 1994 to 2011. Mr. Leung was also awarded a Medal of Honour by the Government of Hong Kong. Mr. Leung was an independent non-executive director of each of Hanergy Solar Group Limited (formerly known as Apollo Solar Energy Technology Holdings Limited) (stock code: 566) (during the period from 1 May 2008 to 25 November 2009) and China Natural Investment Company Limited (stock code: 8250) (during the period from 27 November 2009 to 26 November 2012), the issued shares of which are listed on the Main Board of the Stock Exchange and GEM, respectively.

Senior Management

Mr. He Linxing, ("Mr. He") aged 40, is a director of a number of subsidiaries of the Company and is responsible for the overall sales management of our Group's business in the PRC. He joined the Group in 2001. Mr. He has approximately 17 years of experience in the pharmaceutical distribution and trading industry. Mr. He graduated from the Correspondence Institute of the Party School of the Central Committee of Communist Party of China in 2009, majoring in economics management.

Mr. Lai Kwok Wa, ("Mr. Lai") aged 30, joined the Group in June 2012, and is the company secretary and the financial controller of the Company. Mr. Lai has approximately 8 years of experience in auditing and accounting. Prior to joining our Group, Mr. Lai has worked in the audit department of an international accounting firm in Hong Kong. Mr. Lai obtained a bachelor degree of business administration in Accounting in 2007 from The City University of Hong Kong. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Company for the Year.

Corporate Reorganisation

The Company was incorporated and registered as an exempted company with limited liability in Bermuda on 9 August 2012. Pursuant to a reorganisation to rationalise the group structure in preparation for the Listing, the Company became the holding company of the Group. Details of the reorganisation are set out in the section headed "History and Development" of the Prospectus. The Company's shares have been listed on GEM of the Stock Exchange since the date of the Listing ("Listing Date").

Principal Activities

The Company acts as an investment holding company.

Principal Subsidiaries and Jointly Controlled Entities

Details of the principal subsidiaries and jointly controlled entities as at 31 December 2014 are set out in notes 34 and 20 to the consolidated financial statements respectively.

Results and Appropriations

The results of the Group for the Year are set out in the consolidated statements of profit or loss and other comprehensive income on pages 36 of this annual report.

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

Donations

Charitable donations made by the Group during the Year amounted to HK$126,000.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the Year are set out in note 26 to the consolidated financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the bye-laws of the Company ("Bye-laws") and the laws of Bermuda, being the jurisdiction in which the Company was incorporated which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

Reserves and Distributable Reserves

Details of movements in the reserves of the Group during the Year are set out on page 38 of this report. As at 31 December 2014, the reserves available for distribution to the Company's shareholders are set out in note 27 to the consolidated financial statements.

Report of the Directors

Directors

The Directors who held office during the Year and as at the date of this report are:

Executive Directors:

Mr. Zhou Ling *(Chairman)* (Note 1)
Mr. Dai Haidong *(Chief Executive Officer)* (Note 1)
Ms. Yang Fang (Note 1)
Mr. Lee Chik Yuet (Note 2)

Independent Non-executive Directors:

Mr. Ho Hau Cheung, *BBS, MH* (Note 3)
Mr. Sung Hak Keung, Andy (Note 3)
Mr. Leung Chi Kin (Note 3)

Notes:

1. Appointed on 24 August 2012
2. Appointed on 14 September 2012
3. Appointed on 26 September 2013

Directors' Services Contracts

Each of the executive Directors has entered into a service contract with the Company and has been appointed for a term of 3 years commencing from the Listing Date. Each of the independent non-executive Directors has entered into a letter of appointment with the Company and has been appointed for a term of 2 years commencing from the Listing Date. They are all subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws.

In accordance with bye-law 84(1) of the Bye-laws, Mr. Lee Chik Yuet, Mr. Ho Hau Cheung, *BBS, MH,* Mr. Sung Hak Keung, Andy and Mr. Leung Chi Kin will retire from office by rotation at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election.

None of the Directors who are being proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Independent Non-executive Directors

The Company has received from each of the independent non- executive Directors an annual confirmation of his independence pursuant to rule 5.09 of the GEM Listing Rules. The Company still considers that each of the independent non-executive Directors to be independent.

Directors' and Chief Executive's Interests and Short Positions In Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Name of Director	Capacity	Number of ordinary shares	Position	Approximate % of the total issued shares
Zhou Ling ("Mr. Zhou")	Beneficial owner and interest of spouse	147,160,000 (Note)	Long	15.3%
Yang Fang ("Ms. Yang")	Beneficial owner and interest of spouse	147,160,000 (Note)	Long	15.3%
Dai Haidong	Beneficial owner	60,840,000	Long	6.3%

Note:

Mr. Zhou and Ms. Yang, being husband and wife, are deemed to be interested in all the 147,160,000 shares of the Company which comprise 104,396,190 shares and 42,763,810 shares of the Company held by Mr. Zhou and Ms. Yang respectively.

Save as disclosed above, as at 31 December 2014, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders

As at 31 December 2014, other than the interests disclosed above in respect of certain Directors and the chief executive of the Company, the following persons had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Long Position in Shares and underlying shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares	Approximate % of the total issued shares
Town Health Pharmaceutical Limited ("Town Health Pharmaceutical") (Notes 1 and 2)	Beneficial owner	249,600,000	26%
Town Health (BVI) Limited ("Town Health (BVI)") (Notes 1 and 2)	Interest of a controlled corporation	249,600,000	26%
Town Health International Medical Group Limited ("Town Health International") (Notes 1 and 2)	Interest of a controlled corporation	249,600,000	26%

Notes:

1. Town Health Pharmaceutical is wholly-owned by Town Health (BVI) which is in turn wholly-owned by Town Health International. Accordingly, Town Health International and Town Health (BVI) are deemed to be interested in all the 249,600,000 shares of the Company held by Town Health Pharmaceutical by virtue of the SFO.

2. Mr. Lee Chik Yuet who is an executive Director of the Company, is currently also a director of Town Health International, Town Health (BVI) and Town Health Pharmaceutical.

Save as disclosed above, as at 31 December 2014 no person had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Major Customers and Suppliers

For the Year, the percentage of turnover attributable to the Group's five largest customers is approximately 67% of the Group's total turnover and the percentage of turnover attributable to the Group's largest customer is approximately 30% of the Group's total turnover. The Group's five largest suppliers accounted for approximately 80% of the Group's total purchases and the Group's largest supplier accounted for approximately 34% of the Group's total purchases.

None of the Directors or any of their close associates, or any shareholder of the Company, (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital), had any interest in any of the five largest customers or suppliers of the Group for the Year.

Director's Interest in Competing Business

None of the Directors nor their respective close associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the paragraph headed "Placing of existing shares and subscriptions of new shares under general mandate" in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" above, at no time during the Year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors or the chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of the Compliance Adviser and its Directors, Employees and Associates

As confirmed by Kingsway Capital Limited ("Kingsway"), the compliance adviser of the Company, none of Kingsway or its directors, employees and close associates is interested in the shares of the Company or materially interested in any contract or arrangement of the Company at the end of the Year or at any time during the Year.

Contracts of Significance

There were no contracts of significance, to which the Company, or any of its subsidiaries was a party and in which any Director is or was materially interested, either directly and indirectly, subsisted at the end of the Year or at any time during the Year.

There were no contracts of significance between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the Year or at any time during the Year.

Use of Proceeds

The Company's shares were listed on GEM on the Listing Date. The proceeds (net of underwriting fees and other listing expenses) from the issue of 280,000,000 new shares of the Company under the placing as set out in the Prospectus were approximately HK$41 million. For details of the use of the above net proceeds during the Year, please refer to the paragraph headed "Use of proceeds from placing" under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on page 19 of this annual report.

Share Option Scheme

The Company operates a share option scheme ("Scheme") for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. The Scheme has been approved by the then sole shareholder of the Company on 26 September 2013. No share options were granted, exercised or cancelled by the Company under the Scheme during the Year and there were no outstanding share options under the Scheme as at 31 December 2014. Details of the Scheme are set out in note 28 to the consolidated financial statements.

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

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 28 of this annual report.

Related Party Transactions

Details of the related party transactions are set out in note 33 to the consolidated financial statements and below:

The Group's wholly owned subsidiary Zhejiang Xin Rui Pharmaceutical Co., Ltd. (浙江新銳醫藥有限公司) has entered into a tenancy agreement (as supplemented by a confirmation dated 15 August 2012) as tenant with Mr. Yang Qi and Ms. Tu Yue Li as landlords ("Tenancy Agreement") to lease the premises at Room 3703, Dikai International Centre, Jianggan District, Hangzhou City, Zhejiang Province, the PRC at an annual rent of RMB550,099 for a term of 3 years from 1 April 2012 to 31 March 2015 for its office use.

Mr. Yang Qi and his spouse, Ms. Tu Yue Li, are the respective brother and sister-in-law of Ms. Yang Fang, an executive Director. Mr. Yang Qi and Ms. Tu Yue Li are therefore associates of Ms. Yang Fang and are connected persons of the Company under the GEM Listing Rules.

Ascent Partners Valuation Service Limited, an independent qualified valuer, has confirmed that the rent payable under the Tenancy Agreement is fair and reasonable and consistent with the market rents for similar premises in similar location at the time of commencement of the Tenancy Agreement and is on normal commercial terms.

As the above transaction is on normal commercial terms and all of the applicable percentage ratios are, on an annual basis, less than 5% and the annual rent under the Tenancy Agreement is less than HK$3 million, the above transaction constitutes de minimis continuing connected transaction pursuant to Rule 20.74(1) of the GEM Listing Rules and is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements.

Saved as disclosed above, there were no other material transactions which constituted connected transaction(s) or continuing connected transaction(s) of the Company under Chapter 20 of the GEM Listing Rules during the Year. The Directors confirm that the Company has complied with the disclosure requirements (if any) in accordance with Chapter 20 of the GEM Listing Rules.

Emolument Policy

The emolument policy of the employees of the Group is set up by the Board on the basis of the positions, duties and performances of the employees.

The emoluments of the Directors are decided by the board of Directors, having regard to the Company's operating results, individual performances and comparable market statistics.

Retirement Benefit Scheme

Details of the retirement benefit scheme are set out in notes 29 to the consolidated financial statements.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at latest practicable date prior to the issue of this report, the Company maintained a sufficient prescribed public float of more than 25% of the Company's issued shares as required under the GEM Listing Rules.

Auditors

The Company has appointed Deloitte Touche Tohmatsu as the auditors of the Company for the Year. Deloitte Touche Tohmatsu will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. A resolution to re-appoint Deloitte Touche Tohmatsu and to authorise the Directors to fix its remuneration will be proposed at the forthcoming annual general meeting.

Review By Audit Committee

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

On behalf of the Board

Mr. Lee Chik Yuet
Executive Director

19 March 2015

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the Year.

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 Company and its subsidiaries (collectively 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.

Board of Directors

Throughout the Year and as at the date of this annual report, the Board comprises seven members, four of which are executive Directors, namely Mr. Zhou Ling who is the chairperson of the Company, Mr. Dai Haidong who is the chief executive officer of the Company, Ms. Yang Fang and Mr. Lee Chik Yuet. Three other members are independent non-executive Directors, namely Mr. Ho Hau Cheung, BBS, MH, Mr. Sung Hak Keung, Andy and Mr. Leung Chi Kin. The biographical details of the Directors and relationship between them (if any) are set out in the section headed "Biographical Details of the Directors and Senior Management" on page 20 and 21 of this annual report.

All Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws as amended from time to time and the requirements of the GEM Listing Rules.

The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management and corporate governance functions. The executive Directors are delegated with the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent non-executive Directors provide their professional advice to the Group whenever necessary.

Composition of the Board, including names of the independent non-executive Directors, is disclosed in all corporate communications to shareholders of the Company.

Board of Directors *(Continued)*

All Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expense of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

Attendance of Directors at Meetings

The attendances of the Directors at various meetings held during the Year are set out below:

	Number of meetings attended/held					
	General meeting	Board meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	Corporate Governance Committee meeting
Zhou Ling	1/1	12/12	N/A	N/A	N/A	1/1
Dai Haidong	1/1	12/12	N/A	N/A	N/A	1/1
Yang Fang	1/1	12/12	N/A	N/A	N/A	1/1
Lee Chik Yuet	1/1	12/12	N/A	N/A	N/A	1/1
Ho Hau Cheung, *BBS, MH*	1/1	12/12	5/5	1/1	1/1	N/A
Sung Hak Keung, Andy	1/1	12/12	5/5	1/1	1/1	N/A
Leung Chi Kin	1/1	12/12	5/5	1/1	1/1	N/A

Directors' continuous professional development

All Directors had confirmed that they had complied with the code provision A.6.5 of the CG Code during the Year by participating in continuous professional development. The Company had arranged an in-house seminar on the GEM Listing Rules for the Directors. All of them had been provided with the training materials for such seminar and each of them confirmed that he/she had read the training materials. In addition, all of them attended such in-house seminar.

Chairman and Chief Executive Officer

Mr. Zhou Ling is the chairman of the Company and Mr. Dai Haidong is the chief executive officer of the Company, and they have segregated and clearly defined roles. The chairman of the Company provides leadership for the Board and ensures good corporate governance practices and procedures are established. The chief executive officer of the Company is responsible for the Group's overall business and development strategies, and general daily management.

Company Secretary

The Company Secretary is responsible for facilitating the Board process, including the communications among the Board members and shareholders and advising the Board on governance matters. For the Year, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

Independent Non-Executive Directors

The Company has three independent non-executive Directors, one of them has appropriate professional qualification or accounting or related financial management expertise. The Company has received a written confirmation of independence from each of the independent non-executive Directors. The Company considers that each of the independent non-executive Directors is and has remained independent.

Term of Appointment of Non-Executive Directors

All the independent non-executive Directors have been appointed for a term of two years commencing from the Listing Date.

Remuneration Committee

The Board has established a remuneration committee ("Remuneration Committee") with its role and functions set out in its specific written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend remuneration packages of the Directors and senior management of the Company to the Board for approval. The Company's remuneration policy is based on the positions, duties and performances of the employees. The employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The performance appraisal system varies according to the positions of the employees. The performance appraisal is supervised by the performance management committee.

During the Year and as at the date of this annual report, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Ho Hau Cheung, BBS, MH as the chairman of the Remuneration Committee, Mr. Sung Hak Keung, Andy and Mr. Leung Chi Kin.

During the Year, one meeting of the Remuneration Committee was held to make recommendation to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management and determine or recommend to the Board on the remuneration packages of all executive Directors and the senior management, and recommend to the Board of the remunerations of the non-executive Directors. All members of the Remuneration Committee attended the meeting.

Nomination Committee

The Board has established a nomination committee ("Nomination Committee") with its role and functions set out in its specific written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company.

During the Year and as at the date of this annual report, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Leung Chi Kin as the Chairman of the Nomination Committee, Mr. Sung Hak Keung, Andy and Mr. Ho Hau Cheung, *BBS, MH*.

Major responsibilities of the Nomination Committee are to review the structure size and composition of the Board, formulate and implement the policy for nominating candidates for election by shareholders at the general meetings of the Company (either to fill a casual vacancy or as an addition to the Board) and assess the independence of independent non-executive Directors, propose re-election of retiring Directors and the appointment or re-appointment of and succession planning for the Directors.

According to the Bye-laws, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. All Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years.

Nomination Committee *(Continued)*

During the Year, one meeting of the Nomination Committee was held to review the structure and composition of the Board. All members of the Nomination Committee attended the meeting.

Board Diversity Policy

The Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered that diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Directors' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

Audit Committee

The Board has established an audit committee ("Audit Committee") with written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company. The principal duties of the Audit Committee are to review the Company's financial statements, accounts, and quarterly, interim and annual results and to provide advice and comments thereon to the Board. The Audit Committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures.

During the Year and as at the date of this annual report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Sung Hak Keung, Andy as the Chairman of the Audit Committee, Mr. Ho Hau Cheung, *BBS, MH* and Mr. Leung Chi Kin. The Audit Committee held five meetings during the Year to review the financial results and internal control system of the Group. Two of the meetings were attended with the Company's external auditors so that the members of the Audit Committee could exchange their views and concerns on the financial reporting process of the Group with the auditors. All members of the Audit Committee attended the five meetings during the Year.

Corporate Governance Committee

The Board has established a corporate governance committee ("Corporate Governance Committee") with written terms of reference in accordance with the provisions set out in the CG Code and Corporate Governance Report as set out in the GEM Listing Rules, which are posted on the websites of the Company.

Its primary functions include: (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees of the Group; (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report as required under Appendix 15 to the GEM Listing Rules; and (vi) to consider other matters, as authorised by the Board.

During the Year and as at the date of this annual report, the Corporate Governance Committee comprised four executive Directors, namely Mr. Lee Chik Yuet as the Chairman of the Corporate Governance Committee, Mr. Zhou Ling, Mr. Dai Haidong and Ms. Yang Fang. The Corporate Governance Committee held one meeting during the Year.

Corporate Governance Report

Corporate Governance Functions

The Board and the Corporate Governance Committee have reviewed the Company's policies and practices on corporate governance and compliance with the CG Code, reviewed and monitored the training and continuous professional development of the Directors and senior management and reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements during the Year.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the Year. The Directors have prepared the financial statements of the Group on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the GEM Listing Rules and pursuant to the relevant statutory requirements.

The statement issued by the auditors of the Company, Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on page 34 and 35 of this annual report.

Internal Controls

The Board acknowledges their responsibility for the internal control of the Group, including risk management, and setting appropriate policies having regard to the objectives of the Group. The Board, through the Audit Committee, conducted a review on the effectiveness of the Group's internal control system of financial and non-financial controls and considered the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Group's accounting and financial reporting functions during the Year. The Board is satisfied that the current system of internal control is effective. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. Controls are monitored by management review.

Auditors' Remuneration

The auditors, Deloitte Touche Tohmatsu, provided statutory audit services to the Group during the Year. The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment, removal and remuneration of the external auditors.

Fees paid or payable by the Group for statutory audit services provided to the Group for the Year amounted to approximately HK$970,000. (2013: HK$929,000).

Constitutional Documents

During the Year, there is no significant change in the Company's constitutional documents.

Communication with Shareholders and Investors

The Company provides information in relation to the Group to the shareholders and investors in a timely manner through a number of formal channels, including publication of quarterly, interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website (www.newraymedicine.com).

Communication with Shareholders and Investors *(Continued)*

Subject to applicable laws and regulations, including the GEM Listing Rules and the Company's Bye-laws as amended from time to time, shareholders may convene a general meeting/put forward proposals in accordance with the following provisions:

1. One or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings can deposit a written request to convene a special general meeting ("SGM") at the principal place of business of the Company in Hong Kong for the attention of the Board or the Company Secretary.

2. The written request must state the name of the shareholders concerned, their respective shareholdings, the objects of the meeting, including details of the business(es) and resolutions proposed to be considered and approved at the meeting, signed by the shareholders concerned.

3. The request will be verified with the Company's Branch Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the shareholders. On the contrary, if the request has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

4. If within 21 days of such deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

5. The notice period to be given to the shareholders in respect of the SGM varies according to the nature of the proposal. Notice of the SGM at which the passing of a special resolution is to be considered, notice of the SGM shall be arranged to be sent to the shareholders at least 21 clear days or 10 clear business days (whichever is longer) before such SGM.

Procedures for shareholders sending enquiries to the Board

1. ***Enquiries about shareholdings***

   Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. ***Enquiries about corporate governance or other matters to be put to the Board and the Company***

   The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of the Board or Company Secretary, by mail to Room 517, 5th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong. Shareholders may call the Company at (852) 2210 2120 for any assistance.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
NEW RAY MEDICINE INTERNATIONAL HOLDING LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of New Ray Medicine International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 84, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2015

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	7	**206,928**	192,854
Cost of sales		**(145,751)**	(142,219)
		61,177	50,635
Other income, gains and losses	8	**1,948**	1,725
Selling and distribution expenses		**(8,280)**	(3,958)
Administrative expenses		**(10,987)**	(7,027)
Listing expenses		**–**	(10,212)
Finance costs	9	**–**	(2,439)
Profit before tax		**43,858**	28,724
Income tax expense	10	**(14,177)**	(11,321)
Profit for the year	11	**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	14		
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	15	**7,718**	7,051
Prepaid lease payments	16	**8,182**	8,540
Club debenture	17	**625**	637
Available-for-sale investments	19	**18,723**	–
Interest in a joint venture	20	**–**	–
Amount due from a joint venture	20	**–**	–
		35,248	16,228
Current assets			
Inventories	21	**14,403**	9,792
Trade and other receivables	22	**128,949**	114,262
Prepaid lease payments	16	**192**	196
Bank balances and cash	23	**150,942**	93,409
		294,486	217,659
Current liabilities			
Trade and other payables	24	**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	25	**4,984**	3,297
		303,191	213,198
Capital and reserves			
Share capital	26	**9,600**	8,000
Share premium and reserves		**293,591**	205,198
Equity attributable to owners of the Company		**303,191**	213,198

The consolidated financial statements on pages 36 to 84 were approved and authorised for issue by the Board of Directors on 19 March 2015 and are signed by:

Zhou Ling	**Lee Chik Yuet**
DIRECTOR	*DIRECTOR*

Consolidated Statements of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000	**PRC statutory reserve** HK$'000 (Note)	**Investments revaluation reserve** HK$'000	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2013	164	75,203	–	6,782	–	9,402	42,842	134,393
Profit for the year	–	–	–	–	–	–	17,403	17,403
Other comprehensive income for the year	–	–	–	–	–	3,921	–	3,921
Total comprehensive income for the year	–	–	–	–	–	3,921	17,403	21,324
Capitalisation issue (note 26d)	5,200	(5,200)	–	–	–	–	–	–
Effect of share swap pursuant to the Group Reorganisation (note 26c)	(164)	(70,003)	70,167	–	–	–	–	–
Issue of shares upon the placing (note 26e)	2,800	67,200	–	–	–	–	–	70,000
Transaction costs attributable to issue of shares	–	(12,519)	–	–	–	–	–	(12,519)
Transfer	–	–	–	3,537	–	–	(3,537)	–
At 31 December 2013	8,000	54,681	70,167	10,319	–	13,323	56,708	213,198
Profit for the year	–	–	–	–	–	–	29,681	29,681
Other comprehensive expense for the year	–	–	–	–	(860)	(3,682)	–	(4,542)
Total comprehensive income for the year	–	–	–	–	(860)	(3,682)	29,681	25,139
Dividend paid (note 13)	–	–	(20,000)	–	–	–	–	(20,000)
Issue of shares (note 26e)	1,600	88,000	–	–	–	–	–	89,600
Transaction costs attributable to issue of shares	–	(4,746)	–	–	–	–	–	(4,746)
Transfer	–	–	–	3,924	–	–	(3,924)	–
At 31 December 2014	9,600	137,935	50,167	14,243	(860)	9,641	82,465	303,191

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

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

Consolidated Statements of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**43,858**	28,724
Adjustments for:		
Interest income	**(849)**	(1,218)
Interest expenses	**–**	2,439
Depreciation of property, plant and equipment	**1,173**	1,217
Release of prepaid lease payment	**194**	193
Loss (gain) on disposal of property, plant and equipment	**1**	(430)
Operating cash flows before movements in working capital	**44,377**	30,925
(Increase) decrease in inventories	**(4,849)**	6,679
Increase in trade and other receivables	**(17,089)**	(5,470)
Decrease in bills receivables	**–**	292
Increase (decrease) in trade and other payables	**4,494**	(2,933)
Cash from operations	**26,933**	29,493
Income tax paid	**(12,354)**	(7,194)
NET CASH FROM OPERATING ACTIVITIES	**14,579**	22,299
INVESTING ACTIVITIES		
Interest received	**849**	305
Purchase of available-for-sale investments	**(19,583)**	–
Purchase of property, plant and equipment	**(1,986)**	(2,536)
Proceeds from disposal of property, plant and equipment	**–**	525
NET CASH USED IN INVESTING ACTIVITIES	**(20,720)**	(1,706)
FINANCING ACTIVITIES		
Proceeds from placing of shares	**89,600**	70,000
Dividend paid	**(20,000)**	–
Payment of transaction cost attributable to issue of new shares	**(4,746)**	(10,136)
New borrowing raised	**–**	16,697
Advanced from related parties	**–**	420
Repayment to related parties	**–**	(894)
Interest paid	**–**	(1,526)
Repayments of borrowings	**–**	(28,697)
NET CASH FROM FINANCING ACTIVITIES	**64,854**	45,864
NET INCREASE IN CASH AND CASH EQUIVALENTS	**58,713**	66,457
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**93,409**	26,289
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,180)**	663
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**150,942**	93,409

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 address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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]

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

[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.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2014 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

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

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 9 Financial Instruments *(Continued)*

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

The directors of the Company anticipate that based on the Group's consolidated financial statements as at 31 December 2014, the adoption of HKFRS 9 in the future will not affect the classification and measurement of the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in a joint venture *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories and costs necessary to make the sale.

Club debenture

Club debenture with indefinite useful life is carried at cost less any subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated financial statements when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit paid to suppliers, trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*
When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities
Financial liabilities (including trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated allowance for doubtful receivables

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the estimation of future cash flows. Where the expectation of the recoverability of trade receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and allowance for doubtful debts in the year in which such estimate has changed. As at 31 December 2014, the carrying amount of trade receivables is HK$61,295,000 (2013: HK$64,099,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowance for inventories

The management of the Group reviews the aging of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventory and estimates on the conditions and usefulness of items of inventories. Where the expectation on the net realisable value is lower than the cost for certain items, a write-down of inventories may arise. As at 31 December 2014, the carrying amount of inventories is HK$14,403,000 (2013: HK$9,792,000) (net of allowance of Nil (2013: Nil)).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, various reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2014	2013
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**18,723**	–
Loans and receivables (including cash and cash equivalents)	**257,682**	178,407
	276,405	178,407
Financial liabilities		
Amortised cost	**8,766**	2,492

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

(i) Foreign currency risk management

The Group has foreign currency bank balances which expose the Group to foreign currency risk. The carrying amount of the Group's foreign currency denominated monetary assets at the end of reporting period are as follows:

	Assets	
	31.12.2014 HK$'000	31.12.2013 HK$'000
HK$	**77,996**	37,150

Sensitivity analysis

The Group is mainly exposed to HK$. The following table details the Group's sensitivity to a 3% (2013: 3%) increase and decrease in the functional currency of each group entity against the above foreign currency. 3% (2013: 3%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. A positive number below indicates an increase in profit where the above foreign currency strengthen by 3% (2013: 3%) against the functional currency of the respective group entity. For a 3% (2013: 3%) weakening of the above foreign currency against the functional currency of the respective group entity, there would be an equal and opposite impact on the profit.

	2014 HK$'000	2013 HK$'000
Profit after tax	**1,755**	836

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk management

The Group's cash flow interest rate risk relates primarily to bank deposits at floating interest rates.

The directors consider the Group's exposure of the bank balances to cash flow interest rate risk is insignificant as interest bearing bank balances are within short maturity period. Besides, as the fluctuation of market interest rate is not expected to be significant, no sensitivity analysis is prepared.

The Group currently does not have any interest rate hedging policy in relation to cash flow interest rate risks. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

(iii) Other price risks

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk. The Group's equity price risk is concentrated on equity securities operating in life science industry sector quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 10% higher/lower (2013: Nil) other comprehensive income for the year ended 31 December 2014 would increase/decrease by HK$1,872,000 (2013: Nil) as a result of the changes in fair value of available-for-sale investments.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Credit risk management

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on bank balances as 89% (2013: 86%) of balances are placed with two (2013: two) banks of which one is located in the PRC and one is located in Hong Kong as at 31 December 2014.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risks on its outstanding trade and other receivables as 61% (2013: 56%) of its trade and other receivables were due from three (2013: four) customers in aggregate as at 31 December 2014. These three (2013: four) customers are distributors which engaged in trading and wholesaling of drugs in Zhejiang and Shanghai, as at 31 December 2014. In addition, the Group also has concentration of credit risks on its deposits paid to suppliers as 80% (2013: 79%) of its deposits paid to suppliers were paid to two (2013: three) suppliers in aggregate as at 31 December 2014. Such suppliers are also principally engaged in pharmaceutical trading and distribution in the PRC. As represented by the directors of the Company, all of these customers and suppliers have good credit quality by taking into account of their credit history. The Group has delegated a team responsible for determination of credit limits and monitoring procedures to ensure that follow-up action to recover overdue debts and to monitor credit risk on suppliers.

The Group has concentration of credit risk on its AFS investments as the entire equity interests held by the Group are issued by an independent third party. The management of the Group considers that the credit risk on the AFS investments in the equity interests held is limited as they were issued by a company which shares are listed on the Stock Exchange.

Other than the above, the Group does not have other significant concentration of credit risk.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity tables

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

The amounts included below for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying value at 31 December 2014
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2014						
Non-derivative financial assets						
Trade and other receivables	–	24,750	36,545	45,445	106,740	106,740
Available-for-sale investments	–	–	–	18,723	18,723	18,723
Bank balances and cash	0.8	150,942	–	–	150,942	150,942
		175,692	36,545	64,168	276,405	276,405
Non-derivative financial liabilities						
Trade and other payables	–	1,294	830	6,642	8,766	8,766

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity tables *(Continued)*

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying value at 31 December 2013
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2013						
Non-derivative financial assets						
Trade and other receivables	–	4,311	59,788	20,899	84,998	84,998
Bank balances and cash	0.9	93,409	–	–	93,409	93,409
		97,720	59,788	20,899	178,407	178,407
Non-derivative financial liabilities						
Trade and other payables	–	199	–	2,293	2,492	2,492

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value measurements of financial instruments

(i) Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2014	31 December 2013				
Listed AFS Investments	**18,723,000**	–	Level 1	Quoted bid prices in an active market	N/A	N/A

There were no transfers between Level 1 and 2 fair value measurements in 2014 and 2013.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. 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

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3.

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

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

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.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2014 HK$'000	2013 HK$'000
Customer A[1]	**23,689**	52,579
Customer B[1]	**22,585**	21,026
Customer C[1]	**62,628**	28,107

1 The revenue involved in injection drugs, tablet drugs, capsule drugs and others segments.

8. OTHER INCOME, GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Bank interest income	**849**	305
Sundry income	**339**	77
Incentives received from government grants	**761**	–
Imputed interest on deposits paid to suppliers (note 18)	**–**	913
(Loss) gain on disposal of property, plant and equipment	**(1)**	430
	1,948	1,725

9. FINANCE COSTS

	2014 HK$'000	2013 HK$'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 (note 18)	**–**	3,014
Reversal of imputed interest recognised (note 18)	**–**	(2,101)
	–	2,439

10. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**12,410**	10,285
Deferred tax (note 25)	**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.

The tax charge for the year can be reconciled to the profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Profit before tax	**43,858**	28,724
Tax at the domestic income tax rate of 25%	**10,964**	7,181
Tax effect of income not taxable for tax purpose	**(27)**	(72)
Tax effect of expense not deductible for tax purpose	**1,368**	3,072
Tax effect of tax losses not recognised	**105**	104
Deferred tax on undistributed earnings of PRC subsidiaries	**1,767**	1,036
Tax charge for the year	**14,177**	11,321

11. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'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)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) The emoluments paid or payable to each of the seven Directors and the Chief Executive Officer were as follows:

	Year ended 31 December 2014							
	Zhou Ling ("Mr. Zhou") HK$'000	Dai Haidong ("Mr. Dai") HK$'000	Yang Fang ("Ms. Yang") HK$'000	Lee Chik Yuet ("Mr. Lee") HK$'000	Ho Hau Cheung *BBS, MH* HK$'000	Leung Chi Kin HK$'000	Sung Hak Keung, Andy HK$'000	Total HK$'000
Fees	**10**	**10**	**10**	**120**	**72**	**72**	**72**	**366**
Other emoluments:								
Salaries and other benefits	**704**	**557**	**418**	**–**	**–**	**–**	**–**	**1,679**
Contributions to retirement benefits scheme	**49**	**49**	**49**	**6**	**–**	**–**	**–**	**153**
Total emoluments	**763**	**616**	**477**	**126**	**72**	**72**	**72**	**2,198**

	Year ended 31 December 2013							
	Mr. Zhou HK$'000	Mr. Dai HK$'000	Ms. Yang HK$'000	Mr. Lee HK$'000	Ho Hau Cheung BBS, MH HK$'000	Leung Chi Kin HK$'000	Sung Hak Keung, Andy HK$'000	Total HK$'000
Fees	–	–	–	20	12	12	12	56
Other emoluments:								
Salaries and other benefits	344	272	201	–	–	–	–	817
Contributions to retirement benefits scheme	34	31	26	–	–	–	–	91
Total emoluments	378	303	227	20	12	12	12	964

Mr. Zhou is also the Chairman and Mr. Dai is the Chief Executive Officer of the Company respectively and their emoluments disclosed above include those for services rendered by them in such roles.

For both 2014 and 2013, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both 2014 and 2013.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2013: three) were directors and the Chief Executive Officer of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2013: two) individuals were as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other allowances	**976**	702
Retirement benefit scheme contributions	**32**	33
	1,008	735

Their emoluments individually were all below HK$1,000,000.

13. DIVIDENDS

	2014 HK$'000	2013 HK$'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.

14. 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 HK$'000	2013 HK$'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 26) 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 January 2013	4,235	1,056	464	5,204	10,959
Additions	–	32	–	2,504	2,536
Disposals	–	–	–	(1,899)	(1,899)
Exchange realignment	107	27	12	139	285
At 31 December 2013	4,342	1,115	476	5,948	11,881
Additions	**–**	**665**	**112**	**1,209**	**1,986**
Disposals	**–**	**(12)**	**–**	**–**	**(12)**
Exchange realignment	**(85)**	**(27)**	**(11)**	**(127)**	**(250)**
At 31 December 2014	**4,257**	**1,741**	**577**	**7,030**	**13,605**
ACCUMULATED DEPRECIATION					
At 1 January 2013	250	597	407	4,037	5,291
Provided for the year	110	135	11	961	1,217
Disposals	–	–	–	(1,804)	(1,804)
Exchange realignment	8	17	10	91	126
At 31 December 2013	368	749	428	3,285	4,830
Provided for the year	**111**	**180**	**14**	**868**	**1,173**
Disposals	**–**	**(11)**	**–**	**–**	**(11)**
Exchange realignment	**(9)**	**(16)**	**(8)**	**(72)**	**(105)**
At 31 December 2014	**470**	**902**	**434**	**4,081**	**5,887**
CARRYING VALUES					
At 31 December 2014	**3,787**	**839**	**143**	**2,949**	**7,718**
At 31 December 2013	3,974	366	48	2,663	7,051

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of lease or 5%
Furniture, fixtures and equipment	20% to 33%
Plant and machinery	10% to 33%
Motor vehicles	10% to 20%

The Group has pledged buildings and prepaid lease payments with aggregate carrying values of approximately HK$12,161,000 (2013: HK$12,710,000) as at 31 December 2014 to secure general banking facilities granted to the Group.

16. PREPAID LEASE PAYMENTS

	2014	2013
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Current asset	**192**	196
Non-current asset	**8,182**	8,540
	8,374	8,736
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Medium-term lease	**8,374**	8,736

17. CLUB DEBENTURE

The club debenture represents entrance fee paid to a golf club with indefinite useful life. The directors of the Company consider no impairment identified with reference with market price of the club debenture.

18. DEPOSITS PAID TO SUPPLIERS

From time to time, the Group is required to make deposit payments to its suppliers as a condition of acquiring the distribution rights of specific products and as security for purchase of products. The deposit will be collected from suppliers at the end of the distribution agreement. Except for purchase agreements with several major suppliers detailed below, the deposits payments are expected to be collected or for purchases in the next twelve months from the end of each reporting period and are therefore classified as current assets.

For the arrangement with the suppliers, if the minimum purchase requirement is not met in a particular year, the deposits paid to the suppliers in relation to the minimum purchase commitment would be proportionately forfeited or the relevant contract to be terminated by the supplier.

18. DEPOSITS PAID TO SUPPLIERS *(Continued)*

The management has performed detail assessment on these contracts and no impairment losses nor provision were considered necessary for both years.

The movements of the deposits paid to suppliers are as follow:

	2014 **HK$'000**	2013 HK$'000
At 1 January	**20,899**	35,778
Deposits paid	**27,533**	14,095
Deposits refunded	**(2,334)**	(29,680)
Imputed interest adjustment upon initial recognition	**–**	(3,014)
Imputed interest for the year	**–**	913
Reversal of imputed interest recognised	**–**	2,101
Exchange realignment	**(653)**	706
At 31 December	**45,445**	20,899
Classified as:		
Current asset (included in trade and other receivables)	**45,445**	20,899
Non-current asset	**–**	–
	45,445	20,899

During the year ended 31 December 2013, certain suppliers contracts were renewed on 1 January 2013 in which the amount of RMB15,000,000 (equivalent to HK$18,645,000) represented the renewal of other suppliers contracts for the deposits paid as securities for acquiring the distribution rights of specific products in the next 3 years, and the deposits would be fully refundable upon its expiry date and not be realised within twelve months from the end of the reporting period. The carrying amounts of these deposits paid are determined based on the present value of future cash flows discounted using an effective interest rate of 6% per annum, and the relevant imputed interest recognised in profit or loss was HK$3,014,000 upon its initial recognition.

On 3 July 2013, the Group further signed certain deposits refund arrangements with these suppliers, pursuant to which, the Group issued a corporate guarantee to these suppliers and the amounts of deposits paid to the these suppliers were refunded to the Group after the Group listed on the Stock Exchange in October 2013. Accordingly, the relevant imputed interest recognised was reversed for the period from the date of refund of the deposits paid to the expiry date of the contracts.

19. AVAILABLE-FOR-SALE INVESTMENTS

The Group's available-for-sale investments, representing equity security of BBI Life Sciences Corporation listed in Hong Kong, are stated at fair value which have been determined based on the quoted market bid prices available on the Stock Exchange. During the year ended 31 December 2014, decrease in fair value of listed securities amounting to HK$860,000 was recognised in investments revaluation reserve.

20. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE

	2014 HK$'000	2013 HK$'000
Cost of unlisted investment in a joint venture	604	604
Share of post-acquisition loss	(604)	(604)
	–	–
Amount due from a joint venture (note)	616	616
Less: Impairment	(600)	(600)
Less: Share of post-acquisition loss that is in excess of the cost of the investment	(16)	(16)
	–	–

The interest in a joint venture represents a 50.1% equity interest in Haikou Xin Lang Pharmaceutical Technology Co. Ltd.* ("Haikou Xin Lang") 海口新朗醫藥科技有限公司, an equity joint venture established in the PRC in March 2011. The Group is able to exercise joint control over Haikou Xin Lang as all decisions about the relevant activities require unanimous consent of the Group and the other joint venture partner. The Group also has rights to the net assets of Haikou Xin Lang. Accordingly, Haikou Xin Lang is regarded as a joint venture of the Group.

* English translated name is for identification only

Details of the Group's joint venture at 31 December 2013 and 2014 are as follows:

Name	Place of incorporation/ operation	Proportion of nominal value of issued capital/registered capital held by the Group 2014	2013	Principal activity
Haikou Xin Lang	PRC	50.1%	50.1%	Inactive

Note:

The amount is unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, settlement is neither planned nor likely to occur in the foreseeable future. The directors consider that the amount form part of the net investment in the joint venture. Accordingly, the amount was classified as non-current.

20. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRS.

The joint venture is accounted for using equity method in these consolidated financial statements.

	2014 HK$'000	2013 HK$'000
Current assets	**1,255**	1,280
Non-current assets	**–**	–
Current liabilities	**(1,274)**	(1,293)
Non-current liabilities	**–**	–
Revenue	**–**	–
Loss for the year	**(6)**	(3)
Other comprehensive income	**–**	–
Total comprehensive expenses for the year	**(6)**	(3)
Dividends received from the joint venture during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net liabilities of the joint venture	**(19)**	(13)
Proportion of the Group's ownership interest in the joint venture	**50.1%**	50.1%
Carrying amounts of the Group's interest in a joint venture	**–**	–

Significant restriction

There are no significant restrictions on the ability of the joint venture of transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

21. INVENTORIES

	2014 HK$'000	2013 HK$'000
Finished goods	**14,403**	9,792

22. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'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 HK$'000	2013 HK$'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.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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).

Ageing of trade receivables which are past due but not impaired:

	2014 **HK$'000**	2013 HK$'000
91 – 180 days	**1,922**	1,101

Prepayments and deposits paid to suppliers represent the prepayments and deposits paid for purchase of pharmaceutical products. The Group is required to make prepayments and trade deposits to certain suppliers to secure regular supply of products. The amount of prepayment to suppliers varies with the terms of supplier contracts entered with different suppliers, which is determined based on the amount of goods purchased from the suppliers. The prepayment is made upon placement of order for the purchase of goods, recorded under "trade and other receivables" and set off against the trade payable upon the delivery of goods to the Group. The amounts of trade deposits required vary on case by case basis. The deposits paid will be refunded upon expiry of contracts.

As at 31 December 2014, the amount of HK$859,000 included in other prepayments are prepaid rental expenses to Mr. Yang Qi and his spouse, family members of a director.

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The deposits carry interest at market rates which range from 0.01% to 2.86% (2013: 0.01% to 2.86%) per annum, for the year ended 31 December 2014.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2014 **HK$'000**	2013 HK$'000
HK$	**77,996**	37,150

24. TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'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 HK$'000	2013 HK$'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. Details of the amounts of prepayments to suppliers and deposits paid to suppliers are set out in notes of 18 and 22.

25. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group and movements thereon during the reporting periods are as follows:

	Withholding tax on undistributed earnings of the PRC subsidiaries HK$'000
At 1 January 2013	2,531
Charge to profit or loss	1,036
Earnings distributed	(347)
Exchange realignment	77
At 31 December 2013	3,297
Charge to profit or loss	**1,767**
Exchange realignment	**(80)**
At 31 December 2014	**4,984**

Under the EIT Law of PRC, a 10% withholding tax is imposed on dividends declared to foreign investors in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

Pursuant to an approval from the relevant PRC government obtained by the Group in December 2012, the Group is entitled to a withholding tax at the rate of 5% for dividend payments from the Group's PRC subsidiaries.

The Group has unused tax losses of approximately HK$3,275,000 (2013: HK$2,853,000) as at 31 December 2014, available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profits stream. Included in unrecognised tax losses as at 31 December 2014 are losses of HK$422,000, HK$2,032,000, HK$403,000, HK$418,000 that will expire in 2016, 2017, 2018 and 2019 respectively.

26. 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

	Number of shares	Amount
		HK$
At 1 January 2013	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 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 and Mr. Dai, 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.

26. SHARE CAPITAL *(Continued)*

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.

27. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting periods are as follows:

	Note	**2014** **HK$'000**	2013 HK$'000
Total assets			
Investments in subsidiaries		**75,367**	75,367
Other receivables		**634**	256
Amount due from a subsidiary		**20,737**	1,900
Bank balances and cash		**77,996**	37,150
		174,734	114,673
Total liabilities			
Other payables		**1,158**	964
Net assets		**173,576**	113,709
Capital and reserves			
Share capital (note 26)		**9,600**	8,000
Reserves	(a)	**163,976**	105,709
Equity attributable to owners of the Company		**173,576**	113,709

27. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

(a) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2013	–	–	(8,567)	(8,567)
Loss for the year	–	–	(10,572)	(10,572)
Total comprehensive expense for the year	–	–	(10,572)	(10,572)
Issue of shares upon the placing	67,200	–	–	67,200
Effect of share swap pursuant to the Group Reorganisation	–	70,167	–	70,167
Transaction costs attributable to issue of shares	(12,519)	–	–	(12,519)
At 31 December 2013	**54,681**	**70,167**	**(19,139)**	**105,709**
Total comprehensive expense for the year	**–**	**–**	**(4,987)**	**(4,987)**
Issue of shares upon the placing	**88,000**	**–**	**–**	**88,000**
Transaction costs attributable to issue of shares	**(4,746)**	**–**	**–**	**(4,746)**
Dividend paid	**–**	**(20,000)**	**–**	**(20,000)**
At 31 December 2014	**137,935**	**50,167**	**(24,126)**	**163,976**

28. SHARE OPTION SCHEME

Pursuant to the resolution passed at the special general meeting held on 26 September 2013, the Company adopted a share option scheme (the "Scheme"). The Company operates the Scheme for the purpose of providing the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the board of directors may approve from time to time. The eligible participants of the Scheme include any director or employee of the Company or its subsidiaries (together the "Group" and any entity in which any member of the Group holds any equity interests ("Invested Entity")), and any consultants, professional and other advisers, any suppliers, customers, service providers, business or joint venture partners, contractors of the Group or any Invested Entity, any chief executives of substantial shareholders of the Company and any other persons whom the board of directors considers, at its absolute discretion, will contribute or have contributed to the Group.

The grant of share options should be accepted within the period from the date on which an offer of the grant of an option is made to a participant to such date as the board of directors may determine, at a consideration of HK$1, being payable by the grantee upon the acceptance of grant. The options may be exercised at any time within the period commencing from the date of grant of the options and expiring on the date determined by the directors, but in any event such exercise period shall not exceed a period of ten years commencing on the date the relevant option is deemed to be granted.

28. SHARE OPTION SCHEME *(Continued)*

The exercise price of the share options was determinable by the directors, but was not able to be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 10% of the total number of shares in issue as at the date of adoption of the Scheme, i.e. 80,000,000 shares, which represented approximately 8.33% of the issued shares as at 31 December 2014 and the date of this annual report. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12 month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the GEM Listing Rules) abstaining from voting and/or other requirements prescribed under the GEM Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders in general meeting.

The Scheme shall be valid and effective for a period of 10 years commencing on its adoption date.

Since the Scheme has become effective on its adoption date, no share option was granted, exercised or cancelled or lapsed by the Company under the Scheme and there was no outstanding share option under the Scheme as at 31 December 2014 and 31 December 2013.

29. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% or HK$1,250 (increased to HK$1,500 effective on 1 June 2014) in maximum of relevant payroll costs to the scheme, which contribution is matched by employees.

29. RETIREMENT BENEFIT PLANS *(Continued)*

The total cost of HK$582,000 (2013: HK$435,000) for the year ended 31 December 2014 charged to consolidated statement of profit or loss and other comprehensive income represents contribution paid or payable to the above retirement benefit plans by the Group.

At the end of the reporting period, the Group had no significant obligation apart from the contribution as stated above.

30. PLEDGE OF ASSETS

As at the end of the reporting period, the Group has pledged the buildings and prepaid lease payments with aggregate carrying values of approximately HK$12,161,000 (2013: HK$12,710,000) as at 31 December 2014 to secure general banking facilities granted to the Group.

31. OPERATING LEASE

The Group as lessee

Minimum lease payment paid under operating leases for premises during the year ended 31 December 2014 was HK$1,490,000 (2013: HK$1,203,000).

At the respective reporting dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**911**	1,185
In the second to fifth year inclusive	**2,024**	897
	2,935	2,082

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are generally negotiated for terms from 1 to 5 years and rentals are fixed over the lease terms.

32. CAPITAL COMMITMENTS

The Group's share of the capital commitments of its joint venture are as follows:

	2014 **HK$'000**	2013 HK$'000
Capital expenditure in respect of the acquisition of research data and patent of a new pharmaceutical product contracted for but not provided in the consolidated financial statements	**1,628**	1,660

33. RELATED PARTY DISCLOSURES

(I) Transactions

During the year, the Group entered into the following transaction with related party:

Name of related party	Relationship	Nature of transactions/balances	2014 HK$'000	2013 HK$'000
Mr. Yang Qi and his spouse	Family members of Ms. Yang	Rental expense (note)	**694**	692

Note:

The rental expense represents expense for leasing of the Group's office premises in the PRC.

The related party operating lease commitment is included in note 31.

(II) Non-trade balances

Details of the Group's outstanding balances with related parties are set out in note 22.

(III) Compensation of key management personnel

	2014 HK$'000	2013 HK$'000
Short term benefits	**2,045**	873
Post employment benefits	**153**	91
	2,198	964

The remuneration of directors and key executives is determined having regard to the position, duties and performance of the individuals.

34. PARTICULARS OF THE SUBSIDIARIES

Particulars of the subsidiaries directly and indirectly held by the Company at the end of each reporting period.

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Group as at		Issued and fully paid share capital/registered capital	Principal activities
		2014	2013		
Max Goodrich International Limited (note i)	BVI 21 September 2007	**100%**	100%	HK$163,800	Investment holding
Brilliant Dream Holding Limited (note i)	BVI 7 July 2014	**100%**	–	HK$1	Inactive
Major Bright Holdings Limited (note i)	BVI 9 May 2014	**100%**	–	HK$1	Investment holding
Clever Ocean Finance Limited (note i)	Hong Kong 6 June 2014	**100%**	–	HK$1	Inactive
China New Rich Medicine Holding Co. Limited (note i)	Hong Kong 7 February 2005	**100%**	100%	HK$1	Investment holding
Hong Rui Bio-medical 泓鋭(杭州)生物醫藥科技有限公司 (notes iii & iv)	PRC 8 July 2008	**100%**	100%	HK$75,000,000	Investment holding
Zhejiang Xin Rui Pharmaceutical 浙江新鋭醫藥有限公司 (notes ii & iv)	PRC 26 April 2006	**100%**	100%	RMB65,000,000	Trading of pharmaceutical products
Hong Rui Trading 浙江泓鋭貿易有限公司 (notes ii & iv)	PRC 6 September 2005	**100%**	100%	RMB5,000,000	Inactive

Notes:

(i) A Company incorporated with limited liability.

(ii) A domestic company incorporated in the PRC with limited liability.

(iii) A wholly foreign owned enterprise with limited liability.

(iv) English translated name is for identification only.

All of the above subsidiaries adopt 31 December as the financial year end date.

None of the subsidiaries had issued any debt securities at the end of the year.

35. EVENTS AFTER THE REPORTING PERIOD

(i) On 14 February 2015, Major Bright Holdings Limited, a wholly-owned subsidiary of the Company, and Ms. Zhao Lei, an independent third party, entered into the memorandum of understanding (the "MOU") in respect of the proposed acquisition of 50% equity interest in Saike International Medical Group Limited, a company incorporated in the BVI with limited liability and its wholly-owned subsidiary is principally engaged in trading of medical devices and equipment in the PRC. Details of the MOU and the related transactions are disclosed in announcement of the Company dated 14 February 2015.

(ii) On 27 February 2015, the Company and a placing agent entered into a conditional placing agreement, pursuant to which the Company had conditionally agreed to place through the placing agent up to 245,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company, to not less than six placees who and whose ultimate beneficial owners are third party(ies) independent of the Company, at a placing price of HK$0.425 per placing share. Details of the placing are disclosed in the announcement of the Company dated 27 February 2015.