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New Ray Medicine  
新銳醫藥

## **New Ray Medicine International Holding Limited**

**新銳醫藥國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code on Main Board: 6108)**

**(Stock Code on GEM: 8180)**

### **TRANSFER OF LISTING**

## **FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Financial adviser to the Company**

**CONVOY 康宏**

On 30 March 2015, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) the 1,205,000,000 Shares in issue; and (ii) the 80,000,000 Shares which may fall to be issued pursuant to the exercise of share options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The approval-in-principle has been granted by the Stock Exchange on 5 June 2015 for the Shares to be listed on the Main Board and de-listed from GEM. The last day of dealings in the Shares on GEM (Stock code: 8180) will be 15 June 2015. Dealings in the Shares on the Main Board (Stock code: 6108) will commence at 9:00 a.m. on 16 June 2015. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

Reference is made to the announcement issued by the Company dated 30 March 2015 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to the relevant provisions of the GEM Listing Rules and Main Board Listing Rules.

#### **TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD**

On 30 March 2015, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) the 1,205,000,000 Shares in issue; and (ii) the 80,000,000 Shares which may fall to be issued pursuant to the exercise of share options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The approval-in-principle has been granted by the Stock Exchange on 5 June 2015 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

## **REASONS FOR THE TRANSFER OF LISTING**

The Company has been listed on GEM since 25 October 2013. The Group is principally engaged in pharmaceutical distribution business in the PRC.

The Directors believe that the listing of the Shares on the Main Board will enhance the profile and public image of the Group and improve the trading liquidity of the Shares. The Directors also consider that the listing of the Shares on the Main Board will be beneficial to the future growth, financial flexibility and business development of the Group.

As at the date of this announcement, the Directors do not contemplate any material change in the nature of business activities of the Group immediately following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by the Company.

## **DEALINGS IN THE SHARES ON THE MAIN BOARD**

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 25 October 2013, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8180) will be 15 June 2015. Dealings in the Shares on the Main Board (Stock code: 6108) will commence at 9:00 a.m. on 16 June 2015.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lot of 8,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Codan Services Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

## **SHARE OPTION SCHEME**

The Share Option Scheme was conditionally adopted by the Company on 26 September 2013 and took effect on 25 October 2013 to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the Board may approve from time to time. Pursuant to the Share Option Scheme, the Board may, at its discretion invite eligible participants of the Share Option Scheme including, among others, the Group's executive directors, non-executive directors and employees, to take up share options to subscribe for Shares in accordance with the terms of the Share Option Scheme.

As at the date of this announcement, no share option was granted, exercised or cancelled by the Company under the Share Option Scheme. A total of 80,000,000 Shares may fall to be issued upon exercise of the share options that may be but not yet granted under the Share Option Scheme.

The Share Option Scheme will remain effective following the Transfer of Listing and will be implemented in compliance with the requirements of Chapter 17 of the Main Board Listing Rules. The listing of the Shares to be issued pursuant to the Share Option Scheme will also be transferred to the Main Board.

## **GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 29 May 2014 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Shareholders in general meeting; and
- (c) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws to be held.

## **PUBLICATION OF RESULTS**

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within 2 months and 3 months from the end of the relevant periods or financial year ends, respectively.

## **INTERESTS IN COMPETING BUSINESSES**

As at the date of this announcement, none of the Directors and their respective close associates has any interest in any business which competes or potentially competes, either directly or indirectly, with the business of the Group pursuant to Rules 8.10(2) of the Main Board Listing Rules.

## **BIOGRAPHICAL INFORMATION OF DIRECTORS**

The Company discloses below the biographical information of each Director:

### **Executive Directors**

**Mr. Zhou Ling** (周凌先生) (“**Mr. Zhou**”), aged 38, has been the chairman of the Board and an executive Director of the Company since October 2013, and one of the founding members of 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 in 2009, majoring in economics management. He is responsible for the operation of the Group’s business and the overall sales and marketing strategies of the Group. He is also a director and manager of various subsidiaries of the Company. He is also a member of the corporate governance committee of the Board. He is the spouse of Ms. Yang Fang, who is an executive Director of the Company.

As at the date of this announcement, Mr. Zhou is interested in 147,160,000 Shares (representing approximately 12.21% of the total issued Shares) within the meaning of Part XV of the SFO, of which 104,396,190 Shares are held by Mr. Zhou and 42,763,810 Shares are held by his spouse, Ms. Yang Fang. Save as disclosed above, Mr. Zhou does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Zhou has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the service contract entered into between the Company and Mr. Zhou, Mr. Zhou was appointed for a term of three years commencing on 25 October 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Bye-laws. Pursuant to the service contract, the current annual director's fee of Mr. Zhou is HK\$10,000 and he is entitled to a discretionary performance bonus as may be determined by the Board. Mr. Zhou has also executed a labour contract with Zhejiang Xin Rui Pharmaceutical for a term of three years commencing on 25 October 2013 and he is entitled to a monthly salary of RMB16,000 and a monthly bonus which is determined based on his performance. The emolument payable to Mr. Zhou is determined by the Board after taking into account his position, duties and performance within the Group. For the year ended 31 December 2014, Mr. Zhou received a total remuneration of approximately HK\$763,000.

Mr. Zhou was the shareholder and legal representative of Hangzhou Xin Rui Medical Investments Co., Ltd\* (杭州新銳醫藥投資有限公司) (“**Hangzhou Xin Rui**”), which was a company established in the PRC on 29 July 2005. Mr. Zhou confirmed that as Hangzhou Xin Rui had not commenced operations since its establishment, shareholders of Hangzhou Xin Rui subsequently resolved to dissolve it. Hangzhou Xin Rui was deregistered in September 2009.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

**Mr. Dai Haidong (戴海東先生)** (“**Mr. Dai**”), aged 38, has been Chief Executive Officer and an executive Director of the Company since October 2013, and one of the founding members of the 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 in 2009, majoring in economics management. He is responsible for the operation of the Group's business and the overall development of sales and marketing management and strategies of the Group. He is the president and the manager of various subsidiaries of the Company. He is also a member of the corporate governance committee of the Board.

As at the date of this announcement, Mr. Dai is interested in 60,840,000 Shares (representing approximately 5.05% of the total issued Shares) within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Dai does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Dai has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the service contract entered into between the Company and Mr. Dai, Mr. Dai was appointed for a term of three years commencing on 25 October 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Bye-laws. Pursuant to the service contract, the current annual director's fee of Mr. Dai is HK\$10,000 and he is entitled to a discretionary performance bonus as may be determined by the Board. Mr. Dai has also executed a labour contract with Zhejiang Xin Rui Pharmaceutical for a term of three years commencing on 25 October 2013 and he is entitled to a monthly salary of RMB12,000 and a monthly bonus which is determined based on his performance. The emolument payable to Mr. Dai is determined by the Board after taking into account his position, duties and performance within the Group. For the year ended 31 December 2014, Mr. Dai received a total remuneration of approximately HK\$616,000.

Mr. Dai was a shareholder, the manager and legal representative of Chengdu Rui Qi Xing Pharmaceutical Technology Development Co., Ltd\* (成都銳琪星醫藥科技發展有限公司) (“**Chengdu Rui Qi Xing**”), which was a company established in the PRC with an operation term of 20 years commencing from 8 January 2004. On 8 March 2010, Chengdu Administration for Industry and Commerce (Jinniu District) issued a notice of administrative penalty (the “**Notice**”). The Notice stated that 2,292 companies and enterprises, including Chengdu Rui Qi Xing, had failed, among others, to participate in the annual inspection for the years of 2007 and 2008 within the prescribed time. As a result, the business license of Chengdu Rui Qi Xing was revoked. Mr. Dai confirmed that Chengdu Rui Qi Xing had not commenced operations since its establishment and that an application for dissolving Chengdu Rui Qi Xing was submitted to the relevant PRC authority on 28 March 2013 and as far as Mr. Dai is aware, no claim has been made against him as a result of such revocation. Chengdu Rui Qi Xing was dissolved in June 2013.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

**Ms. Yang Fang (楊芳女士)** (“**Ms. Yang**”), aged 38, has been an executive Director of the Company since October 2013. Ms. Yang joined the Group in 2005. Prior to joining the 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 on-line 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 the Group. Ms. Yang is the vice president of Hong Kong New Rich and quality controller of Zhejiang Xin Rui Pharmaceutical. She is also a member of the corporate governance committee of the Board. She is the spouse of Mr. Zhou Ling, who is an executive Director of the Company.

As at the date of this announcement, Ms. Yang is interested in 147,160,000 Shares (representing approximately 12.21% of the total issued Shares) within the meaning of Part XV of the SFO, of which 42,763,810 Shares are held by Ms. Yang and 104,396,190 Shares are held by her spouse, Mr. Zhou Ling. Save as disclosed above, Ms. Yang does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Ms. Yang has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. Save as disclosed above, she has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the service contract entered into between the Company and Ms. Yang, Ms. Yang was appointed for a term of three years commencing on 25 October 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Bye-laws. Pursuant to the service contract, the current annual director’s fee of Ms. Yang is HK\$10,000 and she is entitled to a discretionary performance bonus as may be determined by the Board. Ms. Yang has also executed a labour contract with Zhejiang Xin Rui Pharmaceutical for a term of three years commencing on 25 October 2013 and she is entitled to a monthly salary of RMB10,000 and a monthly bonus which is determined based on her performance. The emolument payable to Ms. Yang is determined by the Board after taking into account her position, duties and performance within the Group. For the year ended 31 December 2014, Ms. Yang received a total remuneration of approximately HK\$477,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.



**Mr. Lee Chik Yuet** (李植悦先生) (“**Mr. Lee**”), aged 61, has been an executive Director and the compliance officer of the Company since October 2013. Mr. Lee joined the Group in 2012. Mr. Lee graduated from The Chinese University of Hong Kong with a bachelor degree in Social Science in 1979. He obtained a bachelor degree in Laws in 1990 and a master degree in Laws in 1994 from The University of Hong Kong. Mr. Lee was admitted as a solicitor in Hong Kong in 1993. 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. He is primarily responsible for the overall legal and regulatory compliance matters of the Group. Mr. Lee is a director of various subsidiaries of the Company. Mr. Lee is the chairman of the corporate governance committee of the Board.

As at the date of this announcement, Mr. Lee does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Lee is an executive director of Town Health, a substantial Shareholder interested in approximately 20.71% of the total issued Shares and he is also a director of various subsidiaries of Town Health.

Save as disclosed above, Mr. Lee has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the service contract entered into between the Company and Mr. Lee, Mr. Lee was appointed for a term of three years commencing on 25 October 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Bye-laws. Pursuant to the service contract, the current annual director’s fee of Mr. Lee is HK\$120,000 and he is entitled to a discretionary performance bonus as may be determined by the Board. The emolument payable to Mr. Lee is determined by the Board after taking into account his position, duties and performance within the Group. For the year ended 31 December 2014, Mr. Lee received a total remuneration of approximately HK\$126,000.

Mr. Lee was a director of Hero Holding Limited, a company incorporated in Hong Kong and was dissolved by deregistration on 30 September 2005 by the Registrar of Companies of Hong Kong as a defunct company pursuant to section 291AA of the Companies Ordinance (Cap.32) (the predecessor ordinance in force prior to the commencement of the Companies Ordinance (Cap.622)). Under section 291AA of the Companies Ordinance (Cap.32), an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

Mr. Lee was also a director of Jinan Town Health Tianren Investment Co., Ltd (“**Jinan Town Health**”), which was a wholly-foreign owned enterprise established in the PRC. Mr. Lee confirmed that as the shareholders of Jinan Town Health agreed to cease the operation of Jinan Town Health, they subsequently resolved to dissolve it on 2 February 2010. In December 2010, the relevant PRC authority granted approval for dissolution of Jinan Town Health.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

### **Independent Non-executive Directors**

**Mr. Ho Hau Cheung, BBS, MH, (何厚祥先生) (“Mr. Ho”)**, aged 63, has been an independent non-executive Director of the Company since 26 September 2013. Mr. Ho is 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), the United Kingdom. Mr. Ho is the chairman of the remuneration committee of the Board and a member of the audit committee and the nomination committee of the Board.

As at the date of this announcement, Mr. Ho does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Ho has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the letter of appointment entered into between the Company and Mr. Ho, Mr. Ho was appointed for a term of two years commencing on 25 October 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirement of the Bye-laws. Mr. Ho is entitled to a director's fee of HK\$6,000 per month, which is reviewed by the remuneration committee of the Board and determined by the Board with reference to his position, duties and performance. For the year ended 31 December 2014, Mr. Ho received a total remuneration of approximately HK\$72,000.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

**Mr. Sung Hak Keung, Andy (宋克強先生)** (“**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 the 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, the United Kingdom. Mr. Sung is the chairman of the audit committee of the Board and a member of the remuneration committee and the nomination committee of the Board.

As at the date of this announcement, Mr. Sung does not have any interest in the Shares within the meaning of Part XV of the SFO.

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 also a company secretary of Oriental City Group Holdings Limited (stock code: 8325) during the period from January 2009 to 11 January 2013.

Save as disclosed above, Mr. Sung has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the letter of appointment entered into between the Company and Mr. Sung, Mr. Sung was appointed for a term of two years commencing on 25 October 2013, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the requirement of the Bye-laws. Mr. Sung is entitled to a director's fee of HK\$6,000 per month, which is reviewed by the remuneration committee of the Board and determined by the Board with reference to his position, duties and performance. For the year ended 31 December 2014, Mr. Sung received a total remuneration of approximately HK\$72,000.

Mr. Sung was a director of Prime Pacific Limited, a company incorporated in Hong Kong, which was dissolved by deregistration on 7 October 2005 by the Registrar of Companies of Hong Kong as a defunct company pursuant to Section 291AA of the Companies Ordinance (Cap.32) (the predecessor ordinance in force prior to the commencement of the Companies Ordinance (Cap.622)) in October 2005. Under section 291AA of the Companies Ordinance (Cap.32), an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

**Mr. Leung Chi Kin (梁志堅先生) ("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 is the chairman of the nomination committee of the Board and a member of the audit committee and the remuneration committee of the Board.

As at the date of this announcement, Mr. Leung does not have any interest in the Shares within the meaning of Part XV of the SFO.

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 and GEM, respectively.

Save as disclosed above, Mr. Leung has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial shareholders of the Company.

Pursuant to the letter of appointment entered into between the Company and Mr. Leung, Mr. Leung was appointed for a term of two years commencing on 25 October 2013, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the requirement of the Bye-laws. Mr. Leung is entitled to a director's fee of HK\$6,000 per month, which is reviewed by the remuneration committee of the Board and determined by the Board with reference to his position, duties and performance. For the year ended 31 December 2014, Mr. Leung received a total remuneration of approximately HK\$72,000.

Mr. Leung was a director of Kwun Yum Yuen Limited, a company incorporated in Hong Kong, which was dissolved on 10 July 2009 by striking off by the Registrar of Companies of Hong Kong as a defunct company pursuant to Section 291 of the Companies Ordinance (Cap.32) (the predecessor ordinance in force prior to the commencement of the Companies Ordinance (Cap.622)) in November 2009. Striking off is an action initiated by the Registrar of Companies of Hong Kong to strike the name of a company off the register of the Companies Registry where he has reasonable cause to believe that the company is defunct and the company shall be dissolved when its name is struck off from the register of companies.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

## **FUND RAISING ACTIVITIES OF THE COMPANY SINCE ITS LISTING ON GEM**

The Company had on 5 November 2014 raised net proceeds of approximately HK\$84.8 million from the issue and allotment of a total of 160,000,000 new Shares pursuant to the top-up placing as more particularly described in the announcements of the Company dated 27 October 2014 and 5 November 2014 respectively (the “**2014 Top-Up Placing**”).

Further, the Company had on 12 May 2015 raised net proceeds of approximately HK\$100 million by placing a total of 245,000,000 new Shares under the Placing, the details of which are disclosed in the announcement of the Company dated 27 February 2015, the circular of the Company dated 1 April 2015 and the announcement of the Company dated 12 May 2015.

The intended use and/or actual use of net proceeds from the above equity fund raising activities are summarized as follows:

Fund raising activity	Intended use of net proceeds	Actual use of proceeds and remaining balance unutilized as at the date of this announcement
The 2014 Top-Up Placing	<ul style="list-style-type: none"> <li>• approximately 20% of the net proceeds for general working capital of the Group</li> <li>• approximately 80% of the net proceeds for potential investment when opportunities arise</li> </ul> <p>As announced by the Company on 11 December 2014 and 12 December 2014, the Board proposed to utilize part of the net proceeds of the 2014 Top-Up Placing to finance (i) its portion of the capital contribution to the joint venture company to be incorporated (i.e. HK\$2) and the initial shareholders' loan (where applicable) to the joint venture company (i.e. HK\$60 million) and (ii) the Company's 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) respectively.</p>	<ul style="list-style-type: none"> <li>• approximately HK\$17.0 million (representing approximately 20% of the net proceeds) was utilized as general working capital of the Group</li> <li>• approximately HK\$19.6 million was utilized for the subscription shares in BBI Life Sciences Corporation, details of which are set out in the announcement of the Company dated 12 December 2014</li> <li>• HK\$2 was utilized for the capital contribution to the JV Company</li> </ul> <p>The remaining balance of the net proceeds amounts to approximately HK\$48.2 million and remains in the bank accounts of the Group. The Company does not intend to change the use of the remaining proceeds as previously disclosed.</p>
The Placing	<ul style="list-style-type: none"> <li>• approximately 10% of the net proceeds for general working capital of the Group</li> <li>• approximately 90% of the net proceeds for financing the Proposed Acquisition</li> </ul>	<p>The net proceeds have not been utilized. The Company does not intend to change the use of the proceeds as previously disclosed.</p>

## CERTAIN FINANCIAL INFORMATION OF THE GROUP

### Increase in revenue and gross profit of the Group for the first quarter of 2015

As disclosed in the first quarterly report of 2015 of the Company, the Group recorded revenue of approximately HK\$54,962,000 for three months ended 31 March 2015, representing an increase of approximately 90.4% compared with that of the corresponding period in 2014. Gross profit of the Group also increased significantly to approximately HK\$16,807,000 for the three months ended 31 March 2015, as compared to the gross profit of approximately HK\$8,988,000 for the corresponding period in 2014. Such increase in revenue and gross profit of the Group was primarily due to the sales of new products, including Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉), Italy Levocarnitine Injection (進口左卡尼丁注射液) and Cefmetazole Sodium for Injection (注射用頭孢美銻鈉), which amounted to approximately HK\$21,368,000 in revenue and HK\$5,324,000 in gross profit for the three months ended 31 March 2015. The Group only commenced selling such products after the end of the first quarter of 2014.

### Recoverability of deposits paid to suppliers

The Group had during the year ended 31 December 2014 paid the following deposits to various suppliers for the purpose of obtaining distribution rights of the respective products summarized in the table below:

<b>Product name</b>	<b>RMB'000</b>	<b>Equivalent to HK\$'000</b>
<b>Major products:</b>		
Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉)	15,000	18,927
Italy Levocarnitine Injection (進口左卡尼丁注射液)	300	379
Cefmetazole Sodium for Injection (注射用頭孢美銻鈉)	1,000	1,262
Sub-total	16,300	20,568

<b>Product name</b>	<b>RMB'000</b>	<b>Equivalent to HK\$'000</b>
<b>Other non-major products:</b>		
Several vitro diagnostic reagents	2,500	3,155
Moxifloxacin Hydrochloride Injection 鹽酸莫西沙星注射液	3,000	3,785
Others	20	25
Sub-total	<u>5,520</u>	<u>6,965</u>
<b>Total</b>	<b><u>21,820</u></b>	<b><u>27,533</u></b>

*Note:* Deposits paid in respect of the above products are refundable upon expiry of their respective distribution periods, which are on or before 31 December 2015. The deposits shall be subject to deduction of an amount in proportion to or calculated based on the amount of sales of the respective products which is below an agreed percentage of the sales target as stipulated in the respective distribution agreements (save for the deposit paid in respect of several vitro diagnostic reagents, which is not subject to any deduction). The management of the Company has performed detailed assessment on the distribution agreements and no impairment losses nor provision were considered necessary for the year ended 31 December 2014 and for the period ended 31 March 2015. As at the date of this announcement, none of the aforementioned distribution periods in respect of the distribution agreements have expired and as such, none of the deposits have been refunded to the Group.

### **Information about major customers**

Revenue from Customer A (being the Group's largest customer for the year ended 31 December 2013) and Customer C (being the Group's largest customer for the year ended 31 December 2014) for the two years ended 31 December 2014 and the three months ended 31 March 2015 (represented as a percentage of the total revenue of the Group) are summarized as follows:

	<b>Revenue attributable to the relevant customer for</b>		
	<b>the three months ended 31 March 2015 HK\$'000</b>	<b>the year ended 31 December 2014 HK\$'000</b>	<b>the year ended 31 December 2013 HK\$'000</b>
Customer A	4,841 (8.8%)	23,689 (11.4%)	52,579 (27.3%)
Customer C	19,174 (34.9%)	62,628 (30.3%)	28,107 (19.8%)



The major products sold to Customer A during the two years ended 31 December 2014 are summarized as follows:

<b>Product name</b>	<b>Type of product</b>	<b>Revenue attributable to Customer A for</b>	
		<b>the year ended 31 December 2014</b>	<b>the year ended 31 December 2013</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Levocarnitine Injection (左卡尼汀注射液)	Injection	23,681	47,707
Other products		8	4,872
<b>Total</b>		<b>23,689</b>	<b>52,579</b>

The decrease in sales to the Customer A during the year ended 31 December 2014 was primarily attributable to the decrease in sales of Levocarnitine Injections (左卡尼汀注射液) as a result of a decline in demand from those hospitals which were customers of Customer A.

In addition, the Group stopped selling several products with low gross profit margin which comprised the product mix previously sold to Customer A as it was no longer profitable for the Group to continue the sales of such products. This resulted in a further decrease in sales revenue attributable to Customer A for the year ended 31 December 2014 as compared to the year ended 31 December 2013. The Directors are of the view that the decrease in sales revenue attributable to Customer A merely reflects the normal commercial decision between the Group and Customer A.

For the three months ended 31 March 2015, Customer A continued to purchase pharmaceutical products from the Group, the sales of which contributed to approximately HK\$4,841,000 in revenue for the Group.

The major products sold to Customer C during the two years ended 31 December 2014 are summarized as follows:

<b>Product name</b>	<b>Type of product</b>	<b>Revenue attributable to Customer C for</b>	
		<b>the year ended 31 December 2014</b> <i>HK\$'000</i>	<b>the year ended 31 December 2013</b> <i>HK\$'000</i>
Italy Levocarnitine Injection (進口左卡尼丁注射液)	Injection	24,093	–
Levocarnitine Injection (左卡尼汀注射液)	Injection	5,104	3,408
Cefoxitin Sodium for Injection (注射用頭孢西丁鈉)	Injection	5,248	483
Ceftizoxime Sodium for Injection (注射用頭孢唑肟鈉)	Injection	6,699	5,180
Cefodizime Sodium for Injection (注射用頭孢地嗪鈉)	Injection	7,961	5,526
Other products		<u>13,523</u>	<u>13,510</u>
<b>Total</b>		<b><u>62,628</u></b>	<b><u>28,107</u></b>

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. With the new exclusive distribution right on Italy Levocarnitine Injection obtained in 2014, the Group has demonstrated strong sales and distribution network to and established closer business relationship with Customer C. Customer C therefore placed more sales order with the Group, especially for Italy Levocarnitine Injection as well as other then existing products sold to Customer C. The Directors are of the view that the increase in sales revenue attributable to Customer C merely reflects the normal commercial decision between the Group and Customer C.

For the three months ended 31 March 2015, Customer C continued to purchase pharmaceutical products from the Group, the sales of which contributed to approximately HK\$19,174,000 in revenue for the Group.

## **RECENT BUSINESS DEVELOPMENT**

The Group is an established pharmaceutical distributor principally engaged in pharmaceutical distribution businesses in the PRC with a focus in Zhejiang Province. The Group mainly serves as a provincial distributor, and also as a national distributor of certain pharmaceutical products. As stated in the 2014 interim report of the Company, the Group believed that the PRC medical device market is in the process of opening up which offers numerous investment opportunities with good potential. It is the intention of the management of the Company to consider and evaluate investment opportunities in the PRC medical device market should suitable opportunities come up. The Group is also optimistic about the prospects and development of the PRC healthcare market.

As such, the Group entered (i) into the JV Agreement with Sharp Shine, an indirect wholly-owned subsidiary of Town Health on 11 December 2014 to form the JV Company (owned as to 80% by Town Health Group and 20% by the Group) for the purpose of the Proposed Business of the JV, being investment in medical and healthcare related business in the PRC; and (ii) a conditional sale and purchase agreement on 20 March 2015 with Ms. Zhao, an independent third party, to acquire 50% of the issued share capital of Saike International, which, together with its subsidiaries, are principally engaged in the trading of medical devices and equipment in the PRC.

In addition, Zhejiang Xin Rui Pharmaceutical, a wholly-owned subsidiary of the Company, has been listed as an approved provider of essential drug logistic service in Jin Dong District since February 2015.

### **Formation of JV Company**

The Board regards the formation of the JV Company as an investment for the Group and not a material change to the Group's business objective and strategies. The Group's core business remains pharmaceutical distribution business in the PRC. The Group's interest in the JV Company is treated as an investment in an associate.

As disclosed in the circular of the Company dated 27 January 2015, since the Town Health Group has experience in operating medical clinics and other medical and healthcare related businesses in the PRC, it is expected that the Town Health Group will appoint the senior management staff of the JV Company as appropriate who will be responsible for the day-to-day operation of the JV Company. Given that no additional or minimal expertise is required of the Group, such investment in the JV Company will have no material operational impact on the Group. It is agreed by the parties to the JV Agreement that subject to, among other things, appropriate investment opportunity(ies) in the Proposed Business of the JV having been identified, the Town Health Group and the Group will provide interest-free

initial shareholders' loan in the aggregate sum of up to HK\$300 million to the JV Company in the proportion of 80:20 (i.e. in accordance with their respective shareholding in the JV Company). The Group will thereby provide initial shareholders' loan up to HK\$60 million in the event that suitable targets are identified, which is intended to be funded by part of the net proceeds from the 2014 Top-up Placing and the Group's internal financial resources comprising bank balance and cash of the Group which was in the amount of approximately HK\$118 million as at 30 April 2015. As to any further funding required by the JV Company as determined by the board of directors of the JV Company, the Town Health Group and the Group will provide additional shareholders' loan(s) to the JV Company in same proportions of 80:20 but subject to any applicable connected transactions related requirements under the Listing Rules.

Pursuant to the terms of the JV Agreement, Brilliant Dream, the Company's indirect wholly-owned subsidiary, will be entitled to appoint a director to the board of directors of the JV Company for so long as it holds any interest in the issued share capital of the JV Company. In order to protect the interests of the Group, the terms of the JV Agreement sets out certain matters which require the unanimous approval of all directors of the JV Company. Such matters include, among others, any material change in the nature of the Proposed Business of the JV and the entering into of any transaction which requires investment of more than HK\$100 million by the JV Company. If there is material change in the business nature of the JV Company to the extent that such new business is different from the Proposed Business of the JV, the Group will ensure that the director of the JV Company appointed by it will not approve such change unless the Group has obtained the approval from the then Shareholders (other than those who are required to abstain from voting on the relevant resolution) regarding such change.

The Board believes that the risk exposure of the Group in connection with its investment in the JV Company is minimized by having the aforesaid mechanisms in place, while at the same time, its 20% interest in the JV Company could provide some diversification to the current distribution business of the Group which will be beneficial to the long-term development of the Group. Town Health Group's experience in operating similar businesses, such as, the operation of medical clinics and other medical and healthcare related businesses in Hong Kong and the PRC will also be valuable to the JV Company. The management of the Company could also explore new distribution opportunities from the investment activities of the JV Company as and when appropriate with a view to widening its distribution network. The formation of the JV Company is expected to bring a synergy effect between the Group and the Town Health Group, and the Group will be able to jointly develop and explore the Proposed Business of the JV with the Town Health Group with a view to bringing more investment return to the Shareholders.

The JV Company was incorporated on 31 March 2015 in accordance with all applicable laws and regulations in the BVI and owned as to 20% and 80% by Brilliant Dream and Sharp Shine respectively. Brilliant Dream and Sharp Shine had subscribed for 2 shares and 8 shares of the JV Company at a consideration of HK\$2 and HK\$8 respectively.

As suitable investment targets are yet to be identified, the initial interest free shareholders' loans of up to HK\$60 million has not been injected into the JV Company by the Group and accordingly there is no immediate financial impact on the Group. Nevertheless, the Group and Town Health Group have been keeping themselves apprised of the opportunities in medical and healthcare industries made known through their respective business networks. It is anticipated that the management of the Group and Town Health Group will continually meet from time to time to discuss and consider market information in relation to the Proposed Business of the JV. Where required, the Group will consult its advisers to ensure that investments of the JV Company are carried out in accordance with applicable rules and regulations.

#### **Proposed Acquisition of 50% interest in Saike International**

As disclosed in the announcement of the Company dated 20 March 2015, (i) a wholly-owned subsidiary of the Company, Major Bright, entered into a sale and purchase agreement on 20 March 2015 with Ms. Zhao, pursuant to which Major Bright had conditionally agreed to acquire, and Ms. Zhao had conditionally agreed to sell, 50% of the issued share capital in Saike International, at an aggregate consideration of RMB95 million; and (ii) to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Ms. Zhao is not a connected person of the Company and is independent of the Company and its connected persons. Ms. Zhao is the owner of Saike International and a director of Saike International and its subsidiaries. Ms. Zhao has informed the Company that she has over 19 years of experience in the pharmaceutical and medical devices trading industry in the PRC and she joined the Saike Group in 2012. Ms. Zhao is responsible for the operation of the business of the Saike Group and the overall development of sales and marketing management and strategies of the Saike Group.

The Saike Group is principally engaged in the trading of medical devices and equipment in the PRC. Based on the Company's due diligence review on the Saike Group, the medical devices and equipment of the Saike Group are divided into two main segments, namely, the large medical equipment such as computerized tomography, magnetic resonance imaging and angiography equipment, which accounted for over 90% of the total sales amount of Saike Group in 2014, and the small medical equipment which accounted for approximately 5% of the total sales amount of Saike Group in 2014.

The PRC government's prioritization of health concerns has contributed to the growth of the market and a number of policies have been enacted to guide the development of the healthcare industry in the PRC, such as the ongoing healthcare reform and the 12th Five-Year Plan supportive measures. In addition, aging demographics, along with increased emergence of chronic diseases, will also stimulate demand. It is expected that the hospitals in the PRC will continue to increase the purchase of large medical equipment. In addition, the management of the Saike Group anticipated that the sales of large medical equipment will experience moderate growth in 2015 and the gross profit margin will remain stable and that driven by the sales of new products, the sales and gross profit margin of small medical equipment will increase significantly in 2015. The Company considers that the Proposed Acquisition will enable the Group to diversify the business risk of the Group and provides an opportunity for the Group to participate in the PRC medical devices and equipment trading business in long run. The Group may also be benefitted from Saike International's business referrals in expanding the Group's market share and network of distribution of pharmaceutical products, which remains as its principal business activity.

As informed by Ms. Zhao, the Saike Group entered into a national distributor contract in respect of sterile disposable non-injection transfer pipettes (一次性使用免推注式無菌溶藥移液器) in December 2014, the sale of the product started in March 2015 and its average gross profit margin is higher than those of the existing products of the Saike Group. Based on the sales amount and the sales orders received from the customers of the Saike Group in March 2015 and taking into consideration of the purchase agreements entered into with the manufacturers of Omeprazole Sodium for injection (注射用奧美拉唑鈉) and Lansoprazole for injection (注射用蘭素拉唑) using the aforesaid sterile disposable non-injection transfer pipettes as key components, the management of the Saike Group is of the view that the sale of the sterile disposable non-injection transfer pipettes (一次性使用免推注式無菌溶藥移液器) will result in significant growth of total annual sales amount and gross profit of the Saike Group in 2015.

On 19 November 2014, Zhejiang Provincial Center for Drug and Medical Device Procurement Committee Office published the Review Results of Certain Information on Centralized Procurement of Medicine (First Batch) of Zhejiang Province in 2014 (浙江省2014年藥品集中採購(第一批)部分資料評審結果公示) containing preliminary results of a review on performance of certain products which participated in the 2014 provincial collective tendering process by a group of experts. The Group noted that products with accessional devices (including Omeprazole Sodium for injection (注射用奧美拉唑鈉) and Lansoprazole for injection (注射用蘭素拉唑) using the aforesaid sterile disposable non-injection transfer pipettes as key components produced by the manufacturers of Omeprazole Sodium for injection (注射用奧美拉唑鈉) and Lansoprazole for injection (注射用蘭素拉唑) with which the Saike Group had entered into purchase agreements were among the 9 products with accessional devices which received positive review results under such

report. In view of the foregoing, the Group anticipated that these two products had a good chance of winning the collective tendering. If such products were to win the collective tendering, the Group expected an increase in the sales of the aforesaid products and hence, an increase in the sales of the sterile disposable non-injection transfer pipettes (一次性使用免推注式無菌溶藥移液器) to be sold by the Saike Group.

As anticipated by the Group, the two products, namely, Omeprazole Sodium for injection (注射用奧美拉唑鈉) and Lansoprazole for injection (注射用蘭素拉唑) using the aforesaid sterile disposable non-injection transfer pipettes as key components produced by the manufacturers with which the Saike Group had entered into distribution agreements won the collective tendering and were included in the winning bidders list for products with accessional devices in the Centralized Procurement of Medicine (First Batch) of Zhejiang Province in 2014 (浙江省2014年藥品集中採購(第一批)) published by the Zhejiang Provincial Center for Drug and Medical Device Procurement on 27 April 2015.

Saike International will be owned as to 50% by the Group upon completion of the Proposed Acquisition and the Group's interest in Saike International will therefore be treated as the Group's investment in an associate. It is expected that the current staff of the Saike Group will continue to be responsible for the day-to-day operation of the Saike Group after completion of the Proposed Acquisition and the operation of the Saike Group will be independent of the current business operation of the Group. After completion of the Proposed Acquisition, the Company will nominate some of the Directors or senior managements as director(s) of Saike International and/or its subsidiaries to participate in the financial and operating policy decisions of the Saike Group. In addition, the Company may consider appointing senior management staff to the Saike Group as appropriate, for the overall development and strategic planning of Saike International. However, it is currently expected that such Director(s) and/or senior management staff nominated to the Saike Group will not participate in the day-to-day operation of the Saike Group. As such, the Board believes that there will be no material operational impact on the Group.

As at the date of this announcement, due diligence review (including legal, accounting, financial, operational and other aspects that the Group considers necessary) on the Saike Group is still ongoing and conditions precedent to the Proposed Acquisition have not been fulfilled. Major Bright has not waived any condition precedent to the Proposed Acquisition. The Company expects that it will take a certain period of time to complete the due diligence review, and as at the date of this announcement, completion of the Proposed Acquisition has not taken place.

As advised by the Group's PRC legal advisers, according to the Measures for the Supervision and Administration of Medical Device Operation 《醫療器械經營監督管理辦法》, enterprises engaging in the operations of Class I medical devices in the PRC are not required to file with, nor to obtain operation permits from, food and drug administrative authorities, enterprises engaging in the operations of Class II medical devices in the PRC are required to file with food and drug administrative authorities at the municipal level in which the enterprises operate, and enterprises engaging in the operations of Class III medical devices in the PRC shall apply to the food and drug administrative authorities at the municipal level in which the enterprises operate to obtain the operation permits. Saike International's wholly-owned subsidiary, 杭州賽科醫療器械有限公司\* (Hangzhou Saike Medical Devices Co., Ltd.), has filed at the relevant food and drug administrative authority for the distribution of Classes II medical devices and is the holder of the Permit for Medical Devices Operation Enterprises (醫療器械經營企業許可證) issued by provincial food and drug administration for the distribution of Class III medical devices.

The Company does not consider that the Proposed Acquisition will have a material financial impact on the Group. It is expected that the Saike Group will operate independently from the Group and has its own financial resources and/or will arrange own funding for its business operation. Other than the consideration payable for the acquisition of 50% interest in Saike International of RMB95 million which is intended to be financed by about 90% of the net proceeds from the Placing and the remaining consideration for the Proposed Acquisition to be funded by the Group's bank balance and cash, the Group presently does not have any plan on acquiring addition interests in or injecting further capital into Saike International.

### **Approved provider of essential drug logistic service in Jin Dong District**

Since February 2015, Zhejiang Xin Rui Pharmaceutical, a wholly-owned subsidiary of the Company has been listed as an approved provider of essential drug logistic service in Jin Dong District. Such approval allows the Group to directly deliver pharmaceutical products to public hospitals and medical institutions in Jin Dong District. The risks of relying on distributors/providers of such logistic service in solely providing logistics functions for the Group in such district will be reduced. Given that the current operation of the Group is already providing the similar nature of drug logistic service to its distributor customers, there will not be any material change in the Group's risk profile and the provision of such logistic service is in line with the current business strategies of the Group. Further, as no additional expertise is required of the Group in providing such logistic service, there will be no material operational or financial impact on the Group.



As advised by the Group's PRC legal advisers, Zhejiang Xin Rui Pharmaceutical is a holder of the Pharmaceutical Trade Quality Control Certification (藥品經營質量管理規範認證證書) and Pharmaceutical Trade Licence (藥品經營許可證) and can engage in drug logistics services, and the pharmaceutical distribution business and drug logistics services of Zhejiang Xin Rui Pharmaceutical in the PRC are in compliance with the applicable PRC law. Zhejiang Xin Rui Pharmaceutical has been elected as an approved provider of essential drug logistic service in Jin Dong District until the implementation of the results for the next collective tendering process in Zhejiang Province in the PRC and the drug logistics services carried out thereby are also in compliance with the applicable PRC law.

As at the date of this announcement, the Group has not commenced its operations in providing essential drug logistic services for the delivery of pharmaceutical products directly to hospitals and medical institutions in Jin Dong District. The management of the Group is continually in discussions with a view to formulating a concrete plan in relation to the provision of such services in Jin Dong District and the Group will only commence the provision of such services as and when it thinks appropriate taking into consideration of timing and profitability. The Group currently has no such concrete plan. During the three years ended 31 December 2014 and the three months ended 31 March 2015, the Group did not distribute any pharmaceutical products in Jin Dong District.

### **Collective tendering and results**

Generally, all pharmaceutical products procured by public hospitals and medical institutions in the PRC are subject to provincial collective tendering process that involves bidding by pharmaceutical manufacturers of these products. The latest provincial collective tendering process held in Zhejiang Province in 2014 involved three batches of tendering, out of which 45 pharmaceutical products distributed by the Group (being all the pharmaceutical products currently distributed by the Group) participated in the tendering process, the results of which are summarized below:

	<b>Number of pharmaceutical products distributed by the Group which participated in the tendering</b>	<b>Number of pharmaceutical products distributed by the Group which won the tendering process</b>	<b>Date of release of the tendering results</b>
Batches 1 and 2 tendering	39	32	19 March 2015
Batch 3 tendering	6	Pending release of the results	Pending release of the results

The sales attributable to the 7 pharmaceutical products distributed by the Group which did not win in the batch 1 and batch 2 tendering amounted to approximately HK\$546,000 in revenue and approximately HK\$202,000 in gross profit for the year ended 31 December 2014; and approximately HK\$240,000 in revenue and approximately HK\$109,000 in gross profit during the three months ended 31 March 2015.

Since the revenue and profit attributable to these 7 pharmaceutical products accounted for approximately 0.3% and 0.3% of the total revenue and the total gross profit of the Group respectively for the year ended 31 December 2014; and approximately 0.4% and 0.6% of the total revenue and total gross profit of the Group respectively for the three months ended 31 March 2015, the Directors do not anticipate that there would be a material adverse effect on the total sales of the Group as a result of the aforementioned tendering results.

The sales attributable to the 6 pharmaceutical products distributed by the Group which participated in the batch 3 tendering accounted for (i) approximately 0.04%, 4.5%, 10.0% and 15.2% of the total revenue of the Group for the three years ended 31 December 2014 and the three months ended 31 March 2015 respectively; and (ii) approximately 0.02%, 11.7%, 15.5% and 22.4% of the total gross profit of the Group respectively for the three years ended 31 December 2014 and the three months ended 31 March 2015.

As at the date immediately prior to the date of this announcement, the results for the batch 3 tendering were pending.

### **Price Adjustments**

Pursuant to 2014 Zhejiang Province Rules on Collective Procurement (Second Batch) of Pharmaceutical Products Tender Price (2014年浙江省藥品集中採購(第二批)投標產品價格梳理規則) promulgated in the PRC in March 2015, the price of certain pharmaceutical products in Zhejiang Province was adjusted downward. For those products affected by the price adjustments, the Group has re-negotiated and will continue to re-negotiate with the relevant suppliers to adjust the purchase prices and have re-negotiated and will continue to re-negotiate with the relevant distributor customers to adjust the selling prices. The Group may consider ceasing to distribute certain products or selecting other suppliers with a view to mitigating the impact of the price adjustments.

As a result of the latest re-negotiations with the relevant distributor customers and suppliers of the Group on the selling prices and the purchase prices of the pharmaceutical products which had won batch 1 and batch 2 of the 2014 collective tendering process, it is expected that gross profit margins of 11 of the Group's products will be lifted upwards, gross profit margins of 9 of the Group's products will remain steady and gross profit margins of 12 of the Group's products will decrease.

The revenue and profit attributable to the products distributed by the Group which had won batch 1 and batch 2 of the 2014 collective tendering process and are affected by the aforesaid price adjustments and where their profit margins are expected to increase, remain steady and decrease as a result of the aforesaid re-negotiations are summarized below: -

<b>Expected effect of the price adjustments on the gross profit margin of the pharmaceutical product after re-negotiations</b>	<b>Number of pharmaceutical products</b>	<b>Revenue attributable to the pharmaceutical products represented as a percentage of the total revenue of the Group for the three months ended 31 March 2015 (%)</b>	<b>Profit attributable to the pharmaceutical products represented as a percentage of the total gross profit of the Group for the three months ended 31 March 2015 (%)</b>
Gross profit margin expected to increase	11	42.1	44.8
Gross profit margin expected to remain steady	9	9.0	7.6
Gross profit margin expected to decrease	12	33.3	24.6

In view of such results, the Directors currently do not anticipate that the results of operation of the Group will be materially and adversely affected by the above rules on the tender price.

## **RECENT REGULATORY CHANGES IN THE PRC**

### **Changes in registration requirements and pricing restrictions**

Certain pharmaceutical products in the PRC have been subject to government price control in the form of fixed retail prices or maximum retail prices and periodic adjustments in the pricing. On 24 April 2015, amendments on the Law of the PRC on the Administration of Pharmaceuticals (中華人民共和國藥品管理法) (the “**Pharmaceuticals Law**”) were passed by the Standing Committee of the National People’s Congress of the PRC. Major amendments include: (1) removal of the requirement of pharmaceutical manufacture permit/ pharmaceutical operation permit as pre-condition for registration with the local administration of State Administration for Industry and Commerce of the PRC as an enterprise engaging in such business; and (2) removal of the pricing restrictions (including

government prescribed price and government guidance price) on certain pharmaceutical products. As advised by the Group's PRC legal advisers, the removal of registration pre-conditions serves to simplify the registration procedures but an enterprise engaging in pharmaceutical business is still required to obtain the relevant permit before commencing its business operation. As Zhejiang Xin Rui Pharmaceutical currently holds a valid pharmaceutical operation permit, the recent regulatory change of removing such registration pre-condition does not have any impact on Zhejiang Xin Rui Pharmaceutical.

To facilitate implementation of the amendments on the Pharmaceuticals Law regarding the removal of governmental pricing restrictions, the Circular on Issuing the Opinions on Promoting Drug Price Reform (關於印發推進藥品價格改革意見的通知), the Circular on Strengthening the Supervision on the Pharmaceutical Market Pricing Behaviours (關於加強藥品市場價格行為監管的通知) and the Circular on Announcing the Abolition of Documents on Drug Price (關於公佈廢止藥品價格文件的通知) were promulgated in the PRC on 4 May 2015. Under the aforesaid circulars, save for narcotic drugs and Class I psychotropic drugs, with effect from 1 June 2015, pharmaceutical products are no longer subject to the government prescribed price or government guidance price. The pharmaceutical prices will instead be determined by the relevant market. The PRC government will monitor the pharmaceutical prices in the market and penalize any violations of relevant pharmaceutical laws and regulations.

The Group does not distribute any narcotic drug or Class I psychotropic drug. The Directors are of the view that as 32 pharmaceutical products distributed by the Group had won in the batch 1 and batch 2 tendering and are therefore sold at a price not higher than the fixed tender prices, the removal of pricing restrictions pursuant to the amendments on the Pharmaceuticals Law will not affect their sale by the Group. As regards the 7 pharmaceutical products distributed by the Group which did not win in the batch 1 and batch 2 tendering, taking into account the revenue and profit attributable to these products and the total revenue and the total gross profit of the Group during the year ended 31 December 2014 and the three months ended 31 March 2015, respectively, the Directors do not anticipate that there would be a material adverse effect on the total sales of the Group as a result of the aforementioned regulatory changes.

## **Guiding opinion on settlement of price**

On 9 February 2015, the General Office of the State Counsel issued Guiding Opinions on Improving Centralised Drug Procurement for Public Hospitals (關於完善公立醫院藥品集中採購工作的指導意見), pursuant to which public hospitals are encouraged to directly settle the purchase prices of pharmaceutical products with manufacturers, and the manufacturers are encouraged to settle the fees with the logistic service providers of the pharmaceutical products. According to the Group's PRC legal advisers, this provision is not mandatory. In addition, as disclosed in the prospectus of the Company dated 18 October 2013, it has been an industry norm for the pharmaceutical companies to seek assistance from the distributors in order to improve the effectiveness and efficiency in the supply chain to serve the customers and to reduce relevant cost by capitalizing on the distributors' functions of (i) formulating marketing and promotion strategies tailored for local markets; (ii) applying their expertise in distribution network, product delivery to and payment collection from the customers nationwide, (iii) reducing transaction costs and improving efficiencies of retailers and hospitals by allowing retailers and hospitals to keep fewer inventories on hand and ensuring that inventory can be replenished in time. Such pharmaceutical companies include manufacturers. In view of the above, the Directors currently do not anticipate that this guiding opinion would have a material adverse effect on the business of the Group.

## **WAIVER FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES**

According to Rule 8.12 of the Main Board Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, and this will normally mean that at least two of its executive Directors must be ordinarily resident in Hong Kong.

Since the major business operations and management functions of the Company are currently conducted or administered in the PRC and that none of the executive Directors (except Mr. Lee Chik Yuet) is ordinarily resident in Hong Kong, the Company does not contemplate in the foreseeable future that it will have a sufficient management presence in Hong Kong. Accordingly, the Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules on condition that the Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

- (a) the Company has appointed and will continue to appoint, upon the Transfer of Listing, Mr. Zhou and Mr. Lai Kwok Wa, the company secretary of the Company, as its authorised representatives to act as the principal channel of communication between the Stock Exchange and the Company. Each of the authorized representatives will be readily contactable by telephone, facsimile or email;

- (b) both authorized representatives have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To facilitate the communications between the Stock Exchange, the authorized representatives and the Directors, the following policies have been implemented by the Company:
- (i) each Director shall provide his/her mobile phone number, office phone number, fax number and email address to the authorized representatives;
  - (ii) in the event that a Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorized representatives; and
  - (iii) all the Directors and authorized representatives shall provide their respective mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange;
- (c) the Company has appointed Kingsway Capital Limited as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 9A.13 of the Main Board Listing Rules, the continuous requirement relating to the appointment of a compliance adviser for the period specified in Rule 6A.19 of the GEM Listing Rules will survive an issuer's transfer to the Main Board. Kingsway Capital Limited will continue to have access at all times to the authorized representatives, the Directors and other senior management of the Company during the remaining term of its appointment, and in addition to the authorized representatives, it will act as a channel of communication between the Company and the Stock Exchange after the Transfer of Listing; and
- (d) all the Directors who are not ordinarily resident in Hong Kong possess valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice. Meetings between the Stock Exchange and the Directors can be arranged through the authorized representatives or directly with the Directors upon reasonable notice. The Company will inform the Stock Exchange promptly of any change in the authorized representatives.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for viewing on the respective websites of the Company at <http://www.newraymedicine.com/> and of the Stock Exchange at <http://www.hkexnews.hk>:

- (a) the published Directors' report and annual accounts of the Company for the year ended 31 December 2014;
- (b) the interim report of the Company for the 6 months ended 30 June 2014 and the first quarterly report of the Company for the 3 months ended 31 March 2015;
- (c) the memorandum of association of the Company and the Bye-laws;
- (d) the circular of the Company dated 25 April 2014 in relation to, among others, the proposed general mandates to issue new Shares and repurchase Shares and re-election of the retiring Directors;
- (e) the circular of the Company dated 8 May 2015 in relation to, among others, the proposed general mandate to issue new Shares and repurchase Shares and re-election of the retiring Directors; and
- (f) a copy of each of the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Brilliant Dream”	Brilliant Dream Holding Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company and a party to the JV Agreement
“BVI”	British Virgin Islands
“Bye-laws”	the bye-laws of the Company

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“close associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Company”	New Ray Medicine International Holding Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong New Rich”	China New Rich Medicine Holding Co. Limited (中國新銳醫藥控股有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Jin Dong District”	Jin Dong District, Jin Hua City, Zhejiang Province, the PRC
“JV Agreement”	the joint venture agreement dated 11 December 2014 entered into between Sharp Shine and Brilliant Dream
“JV Company”	Sea Star International Limited, a company incorporated in the BVI pursuant to the JV Agreement and held as to 80% by Sharp Shine and 20% by Brilliant Dream



“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM, and for the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Major Bright”	Major Bright Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“Ms. Zhao”	Ms. Zhao Lei
“Placing”	the offer by way of private placing of a maximum of 245,000,000 new Shares to the placee(s), on a best endeavour basis, pursuant to the conditional placing agreement dated 27 February 2015 entered into between the Company and the Placing Agent, details of which are disclosed in the announcement of the Company dated 27 February 2015, the circular of the Company dated 1 April 2015 and the announcement of the Company dated 12 May 2015
“Placing Agent”	Gransing Securities Co., Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Acquisition”	the acquisition of 50 issued shares in the capital of Saike International, representing 50% of the issued share capital in Saike International
“Proposed Business of the JV”	investment in medical and healthcare related business in the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“Saike International”	Saike International Medical Group Limited, a company incorporated in the BVI with limited liability and is wholly owned by Ms. Zhao
“Saike Group”	Saike International and its subsidiaries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to shareholder’s written resolutions passed on 26 September 2013
“Shareholder(s)”	holder(s) of the Share(s)
“Sharp Shine”	Sharp Shine International Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of Town Health and a party to the JV Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Town Health”	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the ordinary shares of which are listed on the Main Board
“Town Health Group”	Town Health and its subsidiaries
“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board
“US\$”	United States dollars, the lawful currency of the United States of America

“Zhejiang Xin Rui  
Pharmaceutical”

Zhejiang Xin Rui Pharmaceutical Co., Ltd\* (浙江新銳醫藥有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company

“%”

per cent

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

Hong Kong, 5 June 2015

\* *For identification purpose only*

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Main Board Listing Rules and the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company at <http://www.newraymedicine.com>.*