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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: 6108)**

# **DISCLOSEABLE TRANSACTION: SUPPLEMENTAL AGREEMENT – ACQUISITION OF 15% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY**

Reference is made to the announcement of New Ray Medicine International Holding Limited (“**Company**”) dated 5 December 2016 (“**Announcement**”). Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, pursuant to the SP Agreement, the Purchaser (a wholly-owned subsidiary of the Company) has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 12 issued shares of the Target Company, representing 12% of the issued share capital of the Target Company at a cash consideration of RMB37.8 million (equivalent to approximately HK\$42.7 million)(subject to adjustments after Completion).

## SUPPLEMENTAL AGREEMENT

On 14 March 2017, the Purchaser and the Vendor entered into the supplemental agreement to the SP Agreement (“**Supplemental Agreement**”), pursuant to which the parties agreed to vary the terms of the Acquisition and the SP Agreement as follows:

- Sale Shares : 15 issued shares of the Target Company, representing 15% of the issued share capital of the Target Company as at the date of the SP Agreement and the Completion Date, beneficially owned by the Vendor immediately prior to the Completion
- Consideration : RMB47,250,000 (equivalent to approximately HK\$53.4 million)(subject to Adjustment as elaborated below)

The Consideration will be funded by the net proceeds from the Rights Issue (as defined in the Prospectus of the Company dated 10 February 2017 (“**Prospectus**”)) conducted by the Company in March 2017. As disclosed in the Prospectus, the net proceeds of HK\$43 million from the Rights Issue will be applied to the acquisition of 12% equity interest in the Target Company and the net proceeds of HK\$50 million from the Rights Issue (“**Relevant Proceeds**”) will be applied to the acquisition of the equity interests (in part or in full) of pharmaceutical companies which are principally engaged in overseas pharmaceutical business in the PRC apart from the acquisition of 12% equity interest in the Target Company. As a result of the acquisition of an additional 3% equity interest in the Target Company as contemplated under the SP Agreement (as amended and supplemented by the Supplemental Agreement), the Board will utilise HK\$10.7 million from the Relevant Proceeds of HK\$50 million for the acquisition of the said additional 3% equity interest in the Target Company.

In accordance with the SP Agreement (as amended and supplemented by the Supplemental Agreement), subject to Completion, the Consideration shall be subject to the revised Adjustments in the manner as stipulated below.

For the purpose of the Adjustments, the “**Audited NOP**” is the Target Group’s audited consolidated net operating profit after tax.

With respect to the first adjustment under the Adjustments, if the Audited NOP for FY2017 is less than the target amount of RMB35,000,000 (for the purpose of calculating the Initial Adjustment Amount (as defined below), where the Audited NOP for FY2017 is a negative figure, such Audited NOP shall remain as a negative figure), the Vendor shall, within 10 Business Days after the issuance of the audited consolidated financial statements of the Target Group for FY2017, pay to the Purchaser a sum (“**Initial Adjustment Amount**”), in cash, which is determined in accordance with the following formula:

$$\text{Initial Adjustment Amount} = (\text{RMB35,000,000} - \text{the Audited NOP for FY2017}) \times 15\%$$

With respect to the second adjustment under the Adjustments, if the Audited NOP for FY2018 is less than the target amount of RMB38,500,000 (for the purpose of calculating the Second Adjustment Amount (as defined below), where the Audited NOP for FY2018 is a negative figure, such Audited NOP shall remain as a negative figure), the Vendor shall, within 10 Business Days after the issuance of the audited consolidated financial statements of the Target Group for FY2018, pay to the Purchaser a sum (“**Second Adjustment Amount**”), in cash, which is determined in accordance with the following formula:

$$\text{Second Adjustment Amount} = (\text{RMB38,500,000} - \text{Audited NOP for FY2018}) \times 15\%$$

With respect to the third adjustment under the Adjustments, if the Audited NOP for FY2019 is less than the target amount of RMB42,350,000 (for the purpose of calculating the Third Adjustment Amount (as defined below), where the Audited NOP for FY2019 is a negative figure, such Audited NOP shall remain as a negative figure), the Vendor shall, within 10 Business Days after the issuance of the audited consolidated financial statements of the Target Group for FY2019, pay to the Purchaser a sum (“**Third Adjustment Amount**”), in cash, which is determined in accordance with the following formula:

$$\text{Third Adjustment Amount} = (\text{RMB42,350,000} - \text{Audited NOP for FY2019}) \times 15\%$$

Save for the above changes, there are no material changes to the terms of the SP Agreement.

Immediately after Completion, the Group will hold 15% of the issued share capital of the Target Company and the Target Company will be accounted for as an associate of the Group in its financial statements.

## **REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT**

The Group is principally engaged in pharmaceutical distribution business in the PRC. As advised by the Vendor, the Target Group has successfully promoted its pharmaceutical products to around 5,000 hospitals in the PRC and the management team of the Target Group has extensive experience in obtaining exclusive distribution rights of imported prescription drugs in the PRC. The Group will invest more resources in obtaining exclusive distribution rights of imported prescription drugs which have superior features and quality as the Group expects that the demand for imported prescription drugs will grow faster than that for domestically manufactured drugs. The factors driving the demand for imported prescription drugs include (i) the increase in chronic diseases due to the aging population and environmental problems; (ii) the increase in disposable income of PRC citizens that PRC citizens can afford the more expensive imported prescription drugs; and (iii) the increasing product quality awareness of PRC citizens. Having considered the extensive network of the Target Group and the experience of its management team, the Board is of the view that the Acquisition would represent an opportunity to bring possible synergies between the Group and the Target Group on pharmaceutical distribution business in the PRC and investment return to the Group.

Furthermore, as stated in 《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》 (in English, for identification purpose only, “The Thirteenth Five-Year Plan of the Economic and Social Development of the PRC”) announced by the PRC Government in 2016, enhancing the medical and health system will be one of the key development focuses of the PRC from 2016 to 2020. The PRC government’s continued commitment to and investment in the healthcare sector as part of its long-term healthcare reform plan in the long run coupled with the problems arising from the aging population, urbanisation and increase in chronic diseases are expected to drive the demand for medical treatments in the PRC market. The Directors believe such drive fills the pharmaceutical industry with new opportunities and momentum for growth in the long term.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable and the entering of the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but all applicable percentage ratios (as defined under the Listing Rules) are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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

Hong Kong, 14 March 2017

*In this announcement, amounts denominated in RMB have been converted into HK\$ at the exchange rate of RMB1=HK\$1.13. Such exchange rate is for illustration purposes only and does not constitute representation that any amount in HK\$ or RMB has been, could have been or may be converted at such rate.*

*As of the date of this announcement, the executive Directors are Mr. Zhou Ling, 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.*