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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

2016 FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK$225.4 million for the year ended 31 December 2016 (2015: approximately HK$253.0 million), representing a decrease of approximately 10.9% as compared to 2015.

- Net loss attributable to owners of the Company for the year ended 31 December 2016 was approximately HK$20.5 million, while the net profit attributable to owners of the Company was approximately HK$14.8 million for the year ended 31 December 2015.

- The Board does not recommend the payment of dividend for the year ended 31 December 2016.

- The Group had a gearing ratio (defined as total bank and other borrowings divided by total equity) of 3.5% as at 31 December 2016 (2015: zero).

The board (the "Board") of directors (the "Directors") of New Ray Medicine International Holding Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Year") together with the comparative figures for 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016** **HK$'000**	2015 *HK$'000*
Revenue	*3*	**225,388**	252,985
Cost of sales		**(190,987)**	(187,359)
		34,401	65,626
Other income, gains and losses	*4*	**(19,055)**	(10,063)
Selling and distribution expenses		**(21,779)**	(11,525)
Administrative expenses		**(19,606)**	(23,386)
Finance costs		**(110)**	–
Share of profit of an associate		**12,441**	9,411
(Loss) profit before tax		**(13,708)**	30,063
Income tax expense	*5*	**(6,750)**	(15,259)
(Loss) profit for the year	*6*	**(20,458)**	14,804
Other comprehensive expense for the year			
Items that will not be reclassified to profit or loss:			
Exchange difference arising on translation of functional currency to presentation currency		**(27,545)**	(9,819)
Share of exchange difference of an associate		**(1,449)**	(505)
		(28,994)	(10,324)
Items that may be subsequently reclassified to profit or loss:			
Fair value loss on available-for-sale investments		**(24,313)**	(8,012)
Reclassification adjustment upon impairment on available-for-sale investments		**15,366**	10,747
Released on disposal of available-for-sale investments		**6,018**	1,054
		(2,929)	3,789
Other comprehensive expense for the year		**(31,923)**	(6,535)
Total comprehensive (expense) income for the year		**(52,381)**	8,269

	NOTES	2016 HK$'000	2015 HK$'000
(Loss) profit for the year attributable to owners of the Company		**(20,458)**	14,804
Total comprehensive (expense) income for the year attributable to owners of the Company		**(52,381)**	8,269
			(Restated)
(Loss) earnings per share	*8*		
Basic *(HK cents)*		**(5.89)**	6.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**11,860**	9,434
Prepaid lease payments		**19,220**	7,635
Prepayment for a distribution right		**28,619**	34,388
Intangible asset		**15,353**	18,308
Club debenture		**559**	597
Available-for-sale investments		**67,226**	73,456
Interests in associates		**125,958**	127,537
Interest in a joint venture		**–**	–
Amount due from a joint venture		**–**	–
		268,795	271,355
Current assets			
Inventories		**11,291**	6,122
Trade and other receivables	*9*	**178,999**	165,695
Amount due from an associate		**–**	12,601
Prepayment for a distribution right		**3,577**	3,821
Prepaid lease payments		**475**	183
Bank balances and cash		**71,599**	56,795
		265,941	245,217
Current liabilities			
Trade and other payables	*10*	**38,685**	29,483
Tax payable		**473**	2,708
Bank borrowings	*11*	**16,769**	–
		55,927	32,191
Net current assets		**210,014**	213,026
Total assets less current liabilities		**478,809**	484,381
Non-current liability			
Deferred tax liabilities		**7,122**	6,718
		471,687	477,663
Capital and reserves			
Share capital	*12*	**20,822**	14,460
Share premium and reserves		**450,865**	463,203
Equity attributable to owners of the Company		**471,687**	477,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 25 October 2013. On 16 June 2015, the Company transferred the listing of its shares from GEM to the Main Board of the Stock Exchange. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Room 517, 5th Floor, Town Health Technology Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in trading of pharmaceutical products in The People's Republic of China ("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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

The application of the amendments to HKFRSs 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 on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle[5]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *Financial instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 "Financial instruments: Recognition and measurement", the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is 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.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 *Revenue from contracts with customers*

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 *Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the consolidated statement of cash flow. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17. In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total operating lease commitment of the Group in respect of office premises and a warehouse as at 31 December 2016 amounted to HK$1,575,000. Upon the adoption of HKFRS 16, the directors of the Company expect that the commitments in future will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities and it may have financial impact to the results of the Group. However, it is not practicable to provide a reasonable estimate of the effect on the Group's results until the Group performs a detailed review.

The directors of the Company anticipated that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in 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.

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

(i) Injection drugs – trading of injection drugs

(ii) Capsule and granule drugs – trading of capsule and granule drugs

(iii) Tablet drugs – trading of tablet drugs

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

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

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

Year ended 31 December 2016

	Injection drugs *HK$'000*	**Capsule and granule drugs** *HK$'000*	**Tablet drugs** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
REVENUE					
External sales and segment revenue	**207,031**	**15,656**	**305**	**2,396**	**225,388**
RESULT					
Segment profit	**32,598**	**1,728**	**18**	**57**	**34,401**
Other income, gains and losses					**(19,055)**
Selling and distribution expenses					**(21,779)**
Administrative expenses					**(19,606)**
Share of profit of an associate					**12,441**
Finance costs					**(110)**
Loss before tax					**(13,708)**

Year ended 31 December 2015

	Injection drugs *HK$'000*	Capsule and granule drugs *HK$'000*	Tablet drugs *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE					
External sales and segment revenue	211,038	35,470	2,302	4,175	252,985
RESULT					
Segment profit	53,882	9,772	269	1,703	65,626
Other income, gains and losses					(10,063)
Selling and distribution expenses					(11,525)
Administrative expenses					(23,386)
Share of profit of an associate					9,411
Profit before tax					30,063

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 considers the cost to develop it would be excessive.

4. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Incentives received from government grants *(note)*	**836**	–
Dividend income from available-for-sale investments	**583**	140
Compensation from Targeted Profit Requirement	**522**	–
Bank interest income	**376**	1,603
Sundry income	**14**	5
Impairment loss on available-for-sale investments	**(15,366)**	(10,747)
Realised loss on disposal of available-for-sale investments	**(6,018)**	(1,054)
Loss on disposal of property, plant and equipment	**(2)**	(10)
	(19,055)	(10,063)

Note: During the year ended 31 December 2016, the Group was granted incentives of RMB724,000 (equivalent to approximately HK$836,000) by local government in Hangzhou, the PRC for the purpose of enhancing the development of the Group. The incentives were recognised in profit or loss immediately as all conditions attached to the incentives had been fulfilled.

5. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**5,859**	13,248
Underprovision in prior year:		
PRC EIT	**32**	11
Deferred tax	**859**	2,000
	6,750	15,259

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 was 25% for the years ended 31 December 2016 and 2015.

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 for both years.

6. (LOSS) PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments, including retirement benefits scheme contributions and equity-settled share-based payment expenses	**10,290**	5,041
Other staff costs	**10,044**	5,865
Contributions to retirement benefits scheme, excluding directors	**586**	501
Equity-settled share-based payment expenses, excluding directors	**613**	–
Total staff costs	**21,533**	11,407
Depreciation of property, plant and equipment	**2,085**	1,773
Amortisation of prepaid lease payment	**282**	188
Amortisation of prepayment for a distribution right (included in cost of sales)	**3,695**	–
Amortisation of intangible assets (included in cost of sales)	**1,848**	814
Minimum lease payment under operating leases in respect of rented premises	**894**	1,321
Auditor's remuneration	**1,880**	1,680
Legal and professional fees (included in administrative expenses)	**5,488**	5,699
Donations	**140**	3,271
Loss on disposal of property, plant and equipment	**2**	10
Cost of inventories recognised as an expense	**185,444**	186,545

7. DIVIDENDS

No dividend was proposed for the year ended 31 December 2016 (2015: nil), nor has any dividend been proposed since the end of the reporting period.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic (loss) earnings per share	**(20,458)**	14,804

	Number of ordinary shares	
	2016	2015
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**347,546**	237,676

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share has been adjusted for the consolidation of shares of the Company effective on 15 March 2016 as disclosed in note 12(b).

The computation of diluted loss per share for the year ended 31 December 2016 does not assume the conversion of the Company's outstanding share options as at 31 December 2016 since their assumed exercise would result in a decrease in loss per share.

Diluted earnings per share for the year ended 31 December 2015 is not presented as there were no dilutive potential ordinary shares in issue during 2015.

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**51,927**	52,866
Compensation from Targeted Profit Requirement	**522**	–
Other prepayments	**718**	1,364
Prepayments to suppliers	**20,163**	44,430
Deposits paid to suppliers	**105,428**	66,788
Others	**241**	247
	178,999	165,695

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 dates of goods delivery notes, which approximated the respective revenue recognition dates, at the end of the reporting period.

	2016	2015
	HK$'000	*HK$'000*
Trade receivables:		
0–30 days	**23,202**	19,424
31–60 days	**22,093**	26,271
61–90 days	**4,269**	4,445
91–180 days	**2,363**	2,726
	51,927	52,866

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. The average age of these receivables as at 31 December 2016 is 76 days (2015: 82 days).

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$2,363,000 (2015: HK$2,726,000) which are past due but not impaired as at 31 December 2016. 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.

10. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**25,671**	18,206
Deposits received	**2,786**	507
Receipts in advance	**3,659**	3,056
Value-added tax payables	**1,366**	3,541
Other tax payables	**354**	312
Accruals	**4,849**	3,861
	38,685	29,483

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

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**16,704**	11,044
31–60 days	**180**	740
61–90 days	**3,794**	1,612
Over 90 days	**4,993**	4,810
	25,671	18,206

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.

11. BANK BORROWINGS

	2016 *HK$'000*	2015 *HK$'000*
Secured bank loans	**16,322**	–
Unsecured bank loan	**447**	–
	16,769	–
The carrying amounts of the above borrowings are repayable within one year	**16,769**	–

The bank borrowings carry fixed interest rates ranged from 5.00% to 7.10% per annum. The borrowings of RMB14,600,000 (equivalent to approximately HK$16,322,000) are secured by buildings and prepaid lease payments with aggregate carrying amounts of HK$26,935,000 as at 31 December 2016.

All bank borrowings are denominated in the functional currency of the relevant group entity.

12. SHARE CAPITAL

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

	Number of shares *'000*	**Amount** *HK$'000*
Ordinary shares		
Authorised:		
At 1 January 2015	1,000,000	10,000
Increased on 13 February 2015 *(note a)*	1,000,000	10,000
At 31 December 2015	2,000,000	20,000
Share consolidation *(note b)*	(1,600,000)	–
Increased on 15 June 2016 *(note c)*	400,000	20,000
At 31 December 2016	800,000	40,000
Issued and fully paid:		
At 1 January 2015	960,000	9,600
Issue of shares *(notes d & e)*	486,000	4,860
At 31 December 2015	1,446,000	14,460
Share consolidation *(note b)*	(1,156,800)	–
Issue of shares *(notes f & g)*	127,248	6,362
At 31 December 2016	416,448	20,822

Notes:

(a) On 13 February 2015, the authorised share capital of the Company was increased from HK$10,000,000 to HK$20,000,000 by the creation of additional 1,000,000,000 ordinary shares of par value of HK$0.01 each.

(b) On 29 January 2016, the Board proposed that every 5 issued and unissued existing ordinary shares of par value of HK$0.01 each in the then share capital of the Company be consolidated into 1 consolidated share of par value of HK$0.05 each in the share capital of the Company (the "Share Consolidation"). The Share Consolidation was approved by the shareholders of the Company at the special general meeting of the Company on 14 March 2016. As all the conditions precedent to the Share Consolidation have been fulfilled, the Share Consolidation became effective on 15 March 2016.

(c) On 15 June 2016, the authorised share capital of the Company was increased from HK$20,000,000 to HK$40,000,000 by the creation of additional 400,000,000 ordinary shares of par value of HK$0.05 each.

(d) On 12 May 2015, the Company issued 245,000,000 shares of par value of HK$0.01 each at the subscription price of HK$0.425 per share by way of placing. The net proceeds from the placing were approximately HK$100,000,000.

(e) On 15 September 2015, the Company issued 241,000,000 shares of par value of HK$0.01 each at the subscription price of HK$0.285 per share by way of placing. The net proceeds from the placing were approximately HK$66,203,000.

(f) On 28 April 2016, the Company issued 57,840,000 shares of par value of HK$0.05 each at the subscription price of HK$0.400 per share by way of placing. The net proceeds from the placing were approximately of HK$22,104,000.

(g) On 22 September 2016, the Company issued 69,408,000 shares of par value of HK$0.05 each at the subscription price of HK$0.340 per share by way of placing. The net proceeds from the placing were approximately of HK$22,551,000.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Year 2016 was full of challenges. The macro-economy of the PRC was undergoing a structural reform on the supply side and a milder economic growth was recorded. Against the backdrop of deteriorating economic environment, the pharmaceutical industry in which the Group operates was further challenged by the release of a series of relevant policies especially the public hospital reform and price cut of drug prices to reduce and simplify the chain and layers of drug circulation and to control usage of drugs. The aforesaid policies put the pharmaceutical enterprises including the Group into a challenging position and affect the profitability of the industry.

Facing the market challenges, the Group implemented its strategy of product diversification and expansion of its distribution network by obtaining new exclusive distribution rights and enlarging its market share by sourcing new products complementary to the Group's existing product portfolio in order to minimise the impact of unfavourable external factors to the Group. For the Year, the total revenue of the Group was approximately HK$225.4 million, representing a decrease of approximately 10.9% as compared to that for year 2015. Due to the increasing price cut pressure, the Group's gross profit margin for the Year was approximately 15.3%, which has decreased by 10.6 percentage points when compared to the year 2015. In order to tackle the challenges in the industry, the Group deployed more resources in marketing which increased the cost of sales. There was a significant increase in selling and distribution expenses of the Group as compared with those for year 2015. On the other hand, the Group recorded the realised fair value losses and impairment losses of its available-for-sale investments of approximately HK$21.4 million as a result of the volatile stock market in Hong Kong for the Year. As a result, the Group recorded a loss attributable to owners of the Company of approximately HK$20.5 million as compared to a profit of approximately HK$14.8 million for year 2015.

Future Prospects

Looking ahead, the "Two Invoice" System (兩票制) will be implemented in the PRC within a year, which aims to reduce the drug circulation chain and layers between drug manufacturers and end user medical institutions. On the other hand, the Group expects the price cut measures will continue in view of the recently released tendering results in Guangdong Province, which may result in a drop in the sales of products and drop in the average profit margin of the Group's products. However, the Group remains prudently optimistic in spite of the headwind that the industry will face in the future. The aging population, urbanisation, increase in chronic diseases and household income, and the wider coverage of medical insurance in the PRC will drive the demand for medical treatments and use of drugs. The Group believes that the pharmaceutical industry will be fueled with new opportunities and momentum for growth in the long term. The new policies will bring challenges for many enterprises, in particular the small and medium-size ones, which will accelerate the consolidation and concentration of the market players in the industry. The Group will closely monitor the guidelines of the national policy and adapt to the market changes. The Group will endeavour to maximise return for shareholders by focusing on proprietary drugs with outstanding marketing and sales performance and looking out for new opportunity to acquire new distribution right, with the aforesaid the Group is poised to benefit from this development.

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.

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

Business Review

As at 31 December 2016, the Group had 21 pharmaceutical products, of which 18 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 or used as health supplements. The Group's injection drugs have generated a predominant portion of revenue. Other products of the Group include capsule and granule drugs, tablet drugs and other drugs. The Group's current product portfolio primarily comprises 12 injection drugs which are mainly prescription drugs. The table below sets out the revenue of the Group (by form of products) for the two years ended 31 December 2015 and 2016, respectively.

	Revenue contributed from each of the segments				**Gross Profit Margin**	
	2015		**2016**		2015	**2016**
	HK$'000	%	***HK$'000***	**%**	%	**%**
Injection drugs	211,038	83.4	**207,031**	**91.9**	25.5	**15.7**
Capsule and granule drugs	35,470	14.0	**15,656**	**6.9**	27.6	**11.0**
Tablet drugs	2,302	0.9	**305**	**0.1**	11.7	**5.9**
Other drugs	4,175	1.7	**2,396**	**1.1**	40.8	**2.4**
Total	252,985	100.0	**225,388**	**100.0**	25.9	**15.3**

(i) Injection Drugs

The injection drugs segment generated a revenue of approximately HK$207.0 million for the Year (2015: HK$211.0 million), representing a decrease of approximately 1.9% as compared to 2015. Such decrease was primarily attributable to the cessation of sales of the Group's injection products with relatively low gross profit margin after the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015. The gross profit margin of the injection drugs segment was approximately 15.7% in 2016, representing a decrease of approximately 9.8 percentage points, as compared to approximately 25.5% in 2015. The lower gross profit margin was due to the price cut for drugs in the public hospitals drug procurement list as imposed by several city governments in Zhejiang province since the third quarter of 2015 and increase in expenses to obtain an injection drug's exclusive distribution right and increase in amortisation expenses on the trademark of an injection drug.

(ii) Capsule and Granule Drugs

The capsule and granule drugs segment generated a revenue of approximately HK$15.7 million for the Year (2015: HK$35.5 million), representing a decrease of approximately 55.8% as compared to 2015. Such decrease was primarily attributable to the cessation of sales of (i) the Group's granule product Cefprozil Granules (頭孢丙烯顆粒) after the expiry of the distribution agreement in November 2015; and (ii) the Group's capsule products with relatively low gross profit margin after the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015. The gross profit margin of the capsule and granule drugs segment was approximately 11.0% in 2016, as compared to approximately 27.6% in 2015, decreasing by approximately 16.6 percentage points from 2015 due to the price cut for the drugs in the public hospitals drug procurement list as imposed by several city governments in Zhejiang province since the third quarter of 2015.

(iii) Tablet Drugs

The tablet drugs segment generated a revenue of approximately HK$0.3 million for the Year (2015: HK$2.3 million), representing a decrease of approximately 87.0% as compared to 2015. Such decrease was primarily attributable to the decrease in the sales of the Group's major products in this segment, namely Cefixime Dispersible Tablet (頭孢克肟分散片) as such product was categorised as antibiotic which should be under limited use as stated in the Administrative Catalogue of the Clinical Use of Antibiotics of Zhejiang Province (2012 version).

(vi) Other Drugs

The other drugs segment generated a revenue of approximately HK$2.4 million for the Year (2015: HK$4.2 million). The decrease was primarily due to the decrease of sales of several vitro diagnostic reagents during the Year.

Regarding the Group's distribution network, as of 31 December 2016, the Group procured pharmaceutical products throughout the PRC from 21 suppliers and the Group sold pharmaceutical products through a network of 216 distributor customers, of which 44 distributor customers cover Zhejiang province with the remaining 172 distributor customers being spread over 22 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 over 800 hospitals through the last tendering process in Zhejiang province in 2014. 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 the assistance provided to the suppliers will strengthen the relationship between the Group and its suppliers and will increase the Group's exposure in China's pharmaceutical market in order to attract reputable suppliers and distributor customers.

FINANCIAL REVIEW

Revenue

The total revenue for the Year was approximately HK$225.4 million, representing a decrease of approximately 10.9% from approximately HK$253.0 million for the year ended 31 December 2015. Such decrease was mainly attributable to the cessation of sales of the Group's products with relatively low gross profit margin after the price cut for drugs in the public hospitals drug procurement list imposed by several city governments in Zhejiang province since the third quarter of 2015.

Cost of sales

The cost of sales for the Year was approximately HK$191.0 million, representing an increase of approximately 1.9% from approximately HK$187.4 million for the year ended 31 December 2015. Although there was a drop in revenue during the Year, the increase in cost of sales was resulted from the increase in proportion of the revenue generated from products with relatively low gross profit margin and increase in expenses to obtain an injection drug's exclusive distribution right and increase in amortisation expenses on the trademark of an injection drug during the Year.

Gross profit and gross profit margin

Gross profit decreased by approximately HK$31.2 million, or approximately 47.6%, from approximately HK$65.6 million for the year ended 31 December 2015 to approximately HK$34.4 million for the Year mainly due to the decrease in revenue generated from the distribution of the Group's products. The Group's average gross profit margin decreased from approximately 25.9% for the year ended 31 December 2015 to approximately 15.3% for the Year. Such decrease in gross profit margin was mainly attributable to (i) the price cut for drugs in the public hospitals drug procurement list as imposed by several city governments in Zhejiang province since the third quarter of 2015 and (ii) the increase in expenses to obtain an injection drug's exclusive distribution right and increase in amortisation expenses on the trademark of an injection drug.

Other income, gains and losses

The net other losses for the Year were approximately HK$19.1 million (2015: approximately HK$10.1 million). Such change was primarily attributable to the increase in realised fair value losses and impairment losses on the Group's available-for-sale investments of approximately HK$21.4 million (2015: HK$11.8 million) as a result of the volatile stock market in Hong Kong for the Year.

Selling and distribution expenses

Selling and distribution expenses for the Year were approximately HK$21.8 million, representing an increase of approximately HK$10.3 million from approximately HK$11.5 million for the year ended 31 December 2015. Such increase was mainly due to the Group's strategy on enhancing its brand name and expanding its market share, distribution network and marketing efforts through (i) increasing the salaries and headcounts of the Group's sales team, (ii) participating in drugs fairs held by PharmChina, a national pharmaceutical trade exhibition, to promote the Group's brand name, (iii) organising and providing training programs and marketing materials to medical practitioners and the Group's distributor customers, and (iv) participating in various marketing activities on Group's products more frequently, especially those for promotion of the Group's products Cefamandole Nafate for Injection (注射用頭孢孟多酯鈉).

Administrative expenses

Administrative expenses for the Year were approximately HK$19.6 million, representing a decrease of approximately 16.2% from approximately HK$23.4 million for the year ended 31 December 2015. Such decrease was mainly due to the decrease in corporate marketing expenses and donation expenses incurred, which was partly offset by the increase in salaries of the back office staff.

Share of results of an associate

Share of results of an associate was approximately HK$12.4 million, which was contributed by the associate company, Saike International Medical Group Limited, a company owned as to 50% by the Group.

Income tax expenses

Income tax expenses for the Year were approximately HK$6.8 million, representing a decrease of approximately 55.6% from approximately HK$15.3 million in 2015. Such decrease was primarily due to the decrease in taxable profit partly offset by the increase in non-deductible expenses for tax purposes which was primarily attributable to the increase in realised fair value and impairment loss on the Group's available-for-sale investments during the Year.

Loss for the year

Loss for the Year was approximately HK$20.5 million, while the net profit attributable to owners of the Company was approximately HK$14.8 million for the year ended 31 December 2015.

The loss for the Year was primarily due to (i) the increase in realised fair value losses and impairment losses on the Group’s available-for-sale investments of approximately HK$21.4 million (2015: HK$11.8 million) as a result of the volatile stock market in Hong Kong in 2016; (ii) the significant increase in selling and distribution expenses of the Group by approximately HK$10.3 million for the Year as compared to 2015; (iii) the general decrease in the gross profit margin and thus the gross profit of the Group for the Year as compared to 2015 due to the price cut for drugs in the public hospitals drug procurement list as imposed by several city governments in Zhejiang province since the third quarter of 2015 and increase in expenses to obtain an injection drug’s exclusive distribution right and increase in amortisation expenses on the trademark of an injection drug; and (iv) the decrease in the revenue of the Group for the Year as compared with that for 2015 due to the decrease in revenue as a result of the cessation of sales of the Group's products with relatively low gross profit margin after the price cut for drugs in the public hospitals drug procurement list as imposed by several city governments in Zhejiang province since the third quarter of 2015.

Available-for-sale investments

The Group's available-for-sale investments represent (i) equity securities listed in Hong Kong as stated at fair value which have been determined based on the quoted market bid prices available on the Stock Exchange, and (ii) investments in unlisted equity securities issued by private entities incorporated in the Cayman Islands with limited liability. Investments in unlisted equity securities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

As at 31 December 2016, a stock namely Golden Throat Holdings Group Company Limited (a company whose shares are listed on the Main Board of the Stock Exchange with stock code: 6896) with a total carrying amount of HK$20.3 million, accounted for approximately 86.4% of the total carrying amount of the Group's listed available-for-sale investments as at 31 December 2016. During the Year, the Group received dividend income of approximately HK$387,000 from this investment and recorded an impairment loss of approximately HK$11,166,000 on this investment due to decline in its fair value as at 31 December 2016.

During the Year, the Group disposed of certain of the equity securities listed in Hong Kong, the fair value loss of approximately HK$6,018,000 previously accumulated in the investment revaluation reserve is reclassified to profit or loss accordingly. Besides, due to a significant decline in the fair value of certain listed investments below their costs, impairment losses amounting to approximately HK$15,366,000 have been recognised during the Year which were reclassified from the investment revaluation reserve. Together, the realised fair value losses and impairment losses on the Group's available-for-sale investments were approximately HK$21.4 million for the Year. The Group will continue to monitor investments cautiously in view of recent uncertain market conditions.

Liquidity, Financial Resources and Capital Structure

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

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, bank borrowings and the net proceeds from the placings of shares conducted by the Company during the Year, and were used to settle the suppliers' trade payable and the initial deposit for obtaining distribution rights of new products and renewal of distribution rights of existing products. The Group's liquidity position was well-managed in the Year.

The Group's gearing ratio (defined as total bank and other borrowings divided by total equity) was 3.5% as at 31 December 2016 (2015: zero).

The Group had net cash (total cash and cash equivalents less bank and other borrowings) of approximately HK$54.8 million as at 31 December 2016 (2015: approximately HK$56.8 million). The Group's cash and cash equivalents amounted to approximately HK$71.6 million in total as at 31 December 2016 (2015: HK$56.8 million). Total bank and other borrowings amounted to approximately HK$16.8 million as at 31 December 2016 (2015: 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 RMB. The Group has foreign currency bank balances which expose the Group to foreign currency risk. To mitigate the foreign currency risk, the Group continually assesses and monitors the exposure to 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 was immaterial.

Employee Information

As at 31 December 2016, the Group had 53 employees (2015: 50). Staff costs for the Year, including Directors' remuneration, amounted to approximately HK$21.5 million (2015: HK$11.4 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 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 2016, the Group did not have any significant contingent liabilities.

Material Acquisitions or Disposals and Significant Investments

Acquisition of property and right to use two car park spaces

On 6 June 2016, 浙江新銳醫藥有限公司 (in English, for identification purpose, Zhejiang Xin Rui Pharmaceutical Co., Ltd.) ("Zhejiang Xin Rui"), a wholly-owned subsidiary of the Company, entered into (i) a sale and purchase agreement with Mr. Yang Qi and Ms. Tu Yue Li as vendors in relation to the acquisition of a property located at Room 3703, Dikai International Center, Jianggan District, Hangzhou City, Zhejiang Province, the PRC (the "Property") at a cash consideration of RMB14,000,000 (equivalent to approximately HK$16,660,000); and (ii) a sale and purchase agreement with Mr. Yang Qi as vendor in relation to the acquisition of the right to use two car park spaces located at Car Park Nos. 267 and 270 on 2nd floor of Basement, Dikai International Center, Jianggan District, Hangzhou City, Zhejiang Province, the PRC (the "Car Park Spaces") at a total cash consideration of RMB700,000 (equivalent to approximately HK$833,000).

Mr. Yang Qi and Ms. Tu Yue Li are the brother and sister-in-law of Ms. Yang Fang, an executive Director and the chief executive officer of the Company. Each of them is a connected person of the Company under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisitions of the Property and the Car Park Spaces were more than 5% but all applicable percentage ratios were less than 25%, and the total consideration was more than HK$10 million, the acquisitions were discloseable and connected transactions and subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The acquisitions were approved by the independent shareholders at a special general meeting of the Company on 29 July 2016.

On 29 July 2016, all the conditions precedent to the two sale and purchase agreements above have been fulfilled and the completion took place in August 2016. For details, please refer to the announcements of the Company dated 6 June 2016 and 29 July 2016 and the circular of the Company dated 12 July 2016.

Acquisition of C&C Group

On 18 October 2016 and 30 November 2016, Major Bright Holdings Limited ("Major Bright"), a wholly-owned subsidiary of the Company, as purchaser and the Company as guarantor entered into a sale and purchase agreement and a supplemental agreement (collectively, the "C&C Acquisition Agreement") respectively with JFA Capital, an independent third party, for the acquisition of an aggregate of 26% of the issued share capital of C&C International Healthcare Group Limited ("C&C Group") in two tranches. The first tranche acquisition involved the acquisition of 9% of the issued share capital of C&C Group by the Group at a consideration of HK$43,687,800 in cash. The second tranche acquisition involved the acquisition of 17% of the issued share capital of C&C Group by the Group at a consideration of HK$82,521,400 in cash.

The first tranche acquisition, standing alone, constituted a discloseable transaction of the Company. The first tranche acquisition was subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. Each of (i) the second tranche acquisition, standing alone, and (ii) the first tranche acquisition and the second tranche acquisition, in aggregate, constituted a major transaction of the Company and was subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. C&C Group and its subsidiaries are principally engaged in the provision of contracted medical schemes for integrated medical and healthcare check-up services. Completion of the first tranche acquisition of 9% of the issued share capital of C&C Group took place on 31 October 2016.

The parties to the C&C Acquisition Agreement entered into a deed of termination on 13 March 2017 and agreed not to proceed with the second tranche acquisition of 17% of the issued share capital of C&C Group since it was unlikely for the Company to obtain the shareholder's approval, being one of the conditions precedent to the second tranche acquisition by the long stop date of 31 March 2017, and the parties could not come to a consensus as to the extension of the long stop date.

On 16 March 2017, Major Bright as purchaser entered into a sale and purchase agreement with Eagle Networks Company Limited (鷹匯網絡有限公司), an independent third party, for the acquisition of 5% of the issued share capital of C&C Group at a consideration of HK$25,500,000 in cash. The completion of the acquisition took place on the same day. Each of (i) the acquisition of 5% interest in C&C Group, standing alone; and (ii) the acquisition of 5% interest in C&C Group and the first tranche acquisition of 9% interest in C&C Group, in aggregate, constituted a discloseable transaction of the Company and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Group held 14% of the issued share capital of C&C Group as at the date of this announcement and such investment in C&C Group is accounted for as available-for-sale financial asset of the Group in its financial statements. For further details, please refer to the announcements of the Company dated 18 October 2016, 30 November 2016, 30 December 2016, 26 January 2017, 28 February 2017, 13 March 2017 and 16 March 2017.

Acquisition of RK Pharmaceutical

On 2 December 2016, China New Rich Medicine Holding Co. Limited (中國新銳醫藥控股有限公司), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with China Wah Yan Healthcare Limited, shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 648), to acquire approximately 29% of the issued shares of Rui Kang Pharmaceutical Group Investments Limited ("RK Pharmaceutical"), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8037) in two tranches. RK Pharmaceutical and its subsidiaries are principally engaged in (i) manufacture, research and development, sale and distribution of health related and pharmaceutical products in the PRC and Hong Kong; (ii) provision of medical laboratory testing services and health check services in Hong Kong; and (iii) trading of securities in Hong Kong. The first tranche acquisition involved the acquisition of approximately 11% of the issued share capital of RK Pharmaceutical by the Group at a consideration of HK$33,362,160 in cash. The second tranche acquisition involved the acquisition of approximately 18% of the issued share capital of RK Pharmaceutical by the Group at a consideration of HK$54,610,816 in cash. As at the date of the sale and purchase agreement, China Wah Yan Healthcare Limited and its subsidiaries held 34,356,960 shares of the Company, representing 8.25% of the then issued share capital of the Company.

The first tranche acquisition, standing alone, constituted a discloseable transaction of the Company and was subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. Each of (i) the second tranche acquisition, standing alone, and (ii) the first tranche acquisition and the second tranche acquisition, in aggregate, constituted a major transaction of the Company and was subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion of the first tranche acquisition took place in January 2017. The Group and China Wah Yan Healthcare Limited entered into a deed of termination on 27 March 2017 and agreed not to proceed with the second tranche acquisition of approximately 18% of the issued share capital of RK Pharmaceutical since it was unlikely for the Company and China Wah Yan Healthcare Limited to obtain their respective shareholders' approvals, being the conditions precedent to the second tranche acquisition by the long stop date of 30 April 2017, and the parties could not come to a consensus as to the extension of the long stop date.

As at the date of this announcement, the Group held approximately 11% of the issued share capital of RK Pharmaceutical and such investment in RK Pharmaceutical is accounted for as available-for-sale financial asset of the Group in its financial statements. For further details, please refer to the announcements of the Company dated 2 December 2016 and 27 March 2017.

Acquisition of Eternal Charm

On 5 December 2016 and 14 March 2017, the Group entered into a sale and purchase agreement and a supplemental agreement with Mr. Wang Wei ("Mr. Wang"), an independent third party, for the acquisition of 15% of the issued share capital of Eternal Charm International Limited（恒雅國際有限公司）("Eternal Charm") at a consideration of RMB47.25 million (subject to downward adjustments after completion) in cash. Pursuant to the sale and purchase agreement (as amended and supplemented by the supplemental agreement), subject to completion, the consideration shall be subject to downward adjustments (if applicable) as follows:

(i) in the event that the audited consolidated net operating profit of Eternal Charm after taxation for the year ending 31 December 2017 ("Eternal Charm 2017 Audited Profit") is less than RMB35.0 million ("Eternal Charm 2017 Target Profit"), Mr. Wang shall pay to the Group a sum in cash equal to 15% of the difference between the Eternal Charm 2017 Target Profit and the Eternal Charm 2017 Audited Profit;

(ii) in the event that the audited consolidated net operating profit of Eternal Charm after taxation for the year ending 31 December 2018 ("Eternal Charm 2018 Audited Profit") is less than RMB38.5 million ("Eternal Charm 2018 Target Profit"), Mr. Wang shall pay to the Group a sum in cash equal to 15% of the difference between the Eternal Charm 2018 Target Profit and the Eternal Charm 2018 Audited Profit; and

(iii) in the event that the audited consolidated net operating profit of Eternal Charm after taxation for the year ending 31 December 2019 ("Eternal Charm 2019 Audited Profit") is less than RMB42.35 million ("Eternal Charm 2019 Target Profit"), Mr. Wang shall pay to the Group a sum in cash equal to 15% of the difference between the Eternal Charm 2019 Target Profit and the Eternal Charm 2019 Audited Profit.

For the purpose of calculating the above adjustments, where the audited consolidated net operating profit of Eternal Charm after taxation for the relevant financial year is a negative figure, such profit after taxation shall remain as a negative figure.

Eternal Charm and its subsidiaries are principally engaged in the distribution of pharmaceutical products in the PRC and their management team has extensive experience in obtaining exclusive distribution rights of imported prescription drugs in the PRC.

Completion of the acquisition of 15% of the issued share capital of Eternal Charm took place on 17 March 2017 and such investment in Eternal Charm is accounted for as an associate of the Group in its financial statements. For further details, please refer to the announcements of the Company dated 5 December 2016 and 14 March 2017.

Save as aforesaid, the Group had no material acquisition or disposal during the Year.

Capital Structure

The capital of the Company comprises only ordinary shares. As at 31 December 2016, the Group had shareholders' equity of approximately HK$471.7 million (2015: HK$477.7 million).

Increase in authorised share capital

As disclosed in the Company's circular dated 6 May 2016, the Board proposed to increase the authorised share capital of the Company from HK$20,000,000 to HK$40,000,000 divided into 800,000,000 shares of HK$0.05 each by the creation of an additional 400,000,000 new shares of HK$0.05 each which was conditional upon the passing of an ordinary resolution at the annual general meeting of the Company. On 15 June 2016, the ordinary resolution to approve the increase in authorised share capital was duly passed by the shareholders of the Company by way of poll at the annual general meeting of the Company.

As disclosed in the Company's circular dated 10 January 2017, the Board proposed to increase the authorised share capital of the Company from HK$40,000,000 to HK$150,000,000 divided into 3,000,000,000 shares of HK$0.05 each by the creation of an additional 2,200,000,000 new shares of HK$0.05 each which was conditional upon the passing of an ordinary resolution at a special general meeting of the Company. On 26 January 2017, the ordinary resolution to approve the increase in authorised share capital was duly passed by the shareholders of the Company by way of poll at the special general meeting of the Company.

Placing of new shares under general mandate

Placing of new shares in April 2016

On 7 April 2016, the Company as issuer and SBI China Capital Financial Services Limited (軟庫中華金融服務有限公司) as placing agent entered into a placing agreement in relation to an offer by way of private placing on a best endeavour basis of up to 57,840,000 new ordinary shares of HK$0.05 each in the share capital of the Company, to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected nor acting in concert with the Company or any of its connected persons or their respective associates, at a price of HK$0.40 per placing share pursuant to the general mandate refreshed by shareholders at the special general meeting of the Company in March 2016. The market price of the shares was HK$0.47 per share as at the date of the placing agreement. The placing was subject to the grant of listing approval of the placing shares by the Stock Exchange.

The placing price represented (i) a discount of approximately 14.89% to the closing price of HK$0.47 per share as quoted on the Stock Exchange on 7 April 2016, being the date of the placing agreement; and (ii) a discount of approximately 14.71% to the average closing price of HK$0.469 per share as quoted on the Stock Exchange for the five consecutive trading days of the shares immediately prior to the date of the placing agreement.

On 28 April 2016, the Company completed the placing of 57,840,000 ordinary shares under the general mandate, at a placing price of HK$0.40 per placing share. The gross proceeds from the placing were approximately HK$23.1 million. The net proceeds from the placing, after deducting commission and other expenses of the placing, were approximately HK$22.1 million. On such basis, the net issue price was approximately HK$0.38 per placing share. The aggregate nominal value of the placing shares was HK$2,892,000.

The Directors were of the view that the placing could strengthen the financial position of the Group and provided funding to the Group to meet any future development and obligations. The placing also represented good opportunities to broaden the shareholders' base and capital base of the Company. The Directors considered that the placing was in the interest of the Company and its shareholders as a whole.

The Company intended to utilise the net proceeds from the placing as general working capital and/or future investment of the Group as and when opportunities arose. As at the date of this announcement, approximately HK$21.3 million, representing approximately 96% of the net proceeds, has been utilised as general working capital of the Group. The unutilised net proceeds of approximately HK$0.8 million remained in the bank accounts of the Group. Details of the placing are set out in the Company's announcements dated 7 April 2016 and 28 April 2016.

Placing of new shares in August 2016

On 29 August 2016, the Company as issuer and Nuada Limited (洛爾達有限公司) as placing agent entered a placing agreement in relation to an offer by way of private placing on a best endeavour basis of up to 69,408,000 new ordinary shares of HK$0.05 each in the share capital of the Company, to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected nor acting in concert with the Company or any of its connected persons or their respective associates, at a price of HK$0.34 per placing share pursuant to the general mandate approved by shareholders at the annual general meeting of the Company held on 15 June 2016. The market price of the share was HK$0.40 per share as at the date of the placing agreement. The placing was subject to the grant of the listing approval of the placing shares by the Stock Exchange.

The placing price represented (i) a discount of approximately 15.00% to the closing price of HK$0.40 per share as quoted on the Stock Exchange on 29 August 2016, being the date of the placing agreement; and (ii) a discount of approximately 10.53% to the average closing price of HK$0.38 per share as quoted on the Stock Exchange for the five consecutive trading days of the shares immediately prior to the date of the placing agreement.

On 22 September 2016, the Company completed the placing of 69,408,000 ordinary shares under the general mandate, at a placing price of HK$0.34 per placing share. The gross proceeds from the placing were approximately HK$23.6 million. The net proceeds from the placing, after deducting commission and other expenses of the placing, were approximately HK$22.6 million. On such basis, the net issue price was approximately HK$0.326 per placing share. The aggregate nominal value of the placing shares was HK$3,470,400.

The Directors were of the view that the placing could strengthen the financial position of the Group and provided funding to the Group to meet any future development and obligations. The placing also represented a good opportunity to broaden the shareholders' base and capital base of the Company. The Directors considered that the placing was in the interest of the Company and its shareholders as a whole.

The Company intended to utilise the net proceeds from the placing as general working capital and/or future investment of the Group as and when opportunities arose. As at the date of this announcement, approximately HK$22.6 million has been utilised for the acquisition of 9% of the issued share capital of C&C Group. Details of the placing are set out in the Company's announcements dated 29 August 2016 and 22 September 2016.

Pledge of assets

The Group did not pledge any assets as at 31 December 2015. The Group pledged the buildings and prepaid lease payments with the aggregate carrying value of approximately HK$26.9 million as at 31 December 2016 to secure general banking facilities granted to the Group.

Share Consolidation

On 29 January 2016, the Board proposed that every 5 issued and unissued existing ordinary shares of par value of HK$0.01 each in the then share capital of the Company be consolidated into 1 consolidated share of par value of HK$0.05 each in the share capital of the Company ("Share Consolidation"). Other than the relevant expenses, including but not limited to professional fees and printing charges incurred, the implementation of the Share Consolidation would not alter the underlying assets, business, operations, management or financial position of the Company. The Share Consolidation was conditional upon (1) the passing of the necessary ordinary resolution by the shareholders of the Company to approve the Share Consolidation at a special general meeting of the Company; (2) the Stock Exchange granting the listing of, and the permission to deal in, the consolidated shares in issue upon the Share Consolidation becoming effective; and (3) the compliance with the relevant procedures and requirements under the laws of Bermuda and the Listing Rules to effect the Share Consolidation. The Share Consolidation was approved by the shareholders of the Company at the special general meeting held on 14 March 2016. As all the conditions precedent to the Share Consolidation have been fulfilled, the Share Consolidation has become effective on 15 March 2016.

Subsequent event

On 9 December 2016, the Company announced to raise approximately HK$343.6 million before expenses on the basis of three rights shares ("Rights Shares") for every one existing share in issue held on the record date at the subscription price of HK$0.275 per Rights Share by way of rights issue of 1,249,344,000 Rights Shares ("Rights Issue"). The completion of the Rights Issue took place on 6 March 2017. 1,249,344,000 Rights Shares were allotted and issued pursuant to the Rights Issue and the net proceeds after deduction of expenses from the Rights Issue were approximately HK$330.0 million. The net issue price per Rights Share was approximately HK$0.264 and the aggregate nominal value of the Rights Shares was HK$62,467,200. Details of the Rights Issue are disclosed in the announcements of the Company dated 9 December 2016, 26 January 2017, 27 January 2017 and 3 March 2017, the circular of the Company dated 10 January 2017, and the prospectus of the Company dated 10 February 2017.

CORPORATE GOVERNANCE

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

The Company has adopted its own code of corporate governance based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules ("CG Code"). 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. Save as disclosed above, the Company had complied with the CG Code to the extent applicable and permissible to the Company during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

DIVIDEND

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 20 June 2017 at 9:00 a.m. in Hong Kong ("AGM"). A notice convening the AGM will be issued and disseminated to the shareholders of the Company in due course.

AUDITORS

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu. No assurance work has been performed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW BY AUDIT COMMITTEE

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

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

Hong Kong, 30 March 2017

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.