



DAWN RAYS NEWSLETTER

Dawnrays Pharmaceutical (Holdings) Ltd.

Issue JAN - JUN 2006

INVESTOR RELATIONS NEWSLETTER

Special points of interest from Dawnrays:

- Suzhou Dawnrays is the "Top 100 New and High-Tech Enterprises of Jiangsu Province in 2005"
- Successful launch of Gliclazide Sustained-release Tablets
- USP paid a visit to our subsidiaries in Suzhou
- Completion & operation of pilot production workshop
- Approval for the registration of three species of drugs
- Investigation & study tour from the Foreign Trade & Economic Cooperation Bureau
- Programme shooting by Suzhou television station
- Grant of three major management system certifications from AQA

Dawnrays' New Moves



Suzhou Dawnrays Pharmaceuticals was recognized as the "Top 100 New and High-Tech Enterprises of Jiangsu Province in 2005"

According to article issued under Article No. 016 (2006) by the Jiangsu Science and Technology Department on 20 January 2006, Suzhou Dawnrays Pharmaceuticals Co., Ltd. was recognized as the "Top 100 New and High-Tech Enterprises of Jiangsu Province in 2005" under the selection and assessment process initiated from the joint efforts of Jiangsu Evaluation and Consultation Centre for Science & Technology and Association of Jiangsu Private Enterprises for Science and Technology and was assigned with certificate number: 2005085.

Successful launch of Gliclazide Sustained-release Tablets in March

Dawnrays' developed Gliclazide Sustained-release Tablets have been launched successfully in market in March, 2006 with the trade name "Rui Mai". This product is the sustained release dosage form of Gliclazide, which is an oral hypoglycemic agent of the sulfonyurea group that has been extensively used in clinical practice at present. The product is expected to have bright market prospects for one time per day can adequately in control of the blood glucose level.

Guests from the Forum on Internationalization of China Pharmaceutical Industry paid a visit to our subsidiaries in Suzhou

On 20 March 2006, Dr. Hu Jiangbin, Vice President of the International Division of United States Pharmacopeia (USP), accompanied a group of more than ten guests for attending the Forum on Internationalization of China Pharmaceutical Industry in Suzhou has paid a visit to our subsidiaries in Suzhou. The guests listened in detail to an overview of our company profile, together with an in-depth exchange focused on topics of GMP management and the challenge of internationalization of Chinese enterprises. The guests have also visited the R & D centre, QC division and bulk medicine workshop of Suzhou Dawnrays



Dawnrays' New Moves

Pharmaceuticals Co., Ltd. as well as the production and pilot production workshops of Suzhou Dawnrays Chemical Co., Ltd., from which they highly appraised Dawnrays' sophisticated production management and comprehensive quality control system concurrently.

Completion of pilot production workshop's construction project of Suzhou Dawnrays Chemical Co., Ltd. and was under operation

The construction project of the pilot production workshop of Suzhou Dawnrays Chemical Co., Ltd. has been completed and brought into operation in January, 2006. Since then, the workshop has successfully passed the scale-up process validation for four species of drugs with the manufacture of pilot products that comply with the standard requirements, which validated the equipment and process compatibility for pilot production.

R & D centre obtained approval for the registration of three species of drugs in June

The R & D centre of Suzhou Dawnrays Pharmaceuticals Co., Ltd. has been granted approval for the registration of three species of drugs: Losartan Potassium, Metformin Hydrochloride Sustained-release Tablets and Telmisartan from the State Food and Drug Administration (SFDA) (production permits) on 2 June 2006.

An investigation and study tour to Suzhou Dawnrays Pharmaceutical by senior officials from the Foreign Trade & Economic Cooperation Bureau of Wuzhong Economic Development District, Suzhou

On 5 June 2006, senior officials from Foreign Trade & Economic Cooperation Bureau of Wuzhong Economic Development District, Suzhou arrived Suzhou Dawnrays Pharmaceuticals Co., Ltd. for investigation and study and received a cordial welcome from our representative, Mr. Zhu Qin Sheng, Vice President of Dawnrays Pharmaceutical (Holdings) Ltd. The two sides have an extensive discussions and exchange on various aspects of foreign enterprise investment environment and services offered by the government departments.

The Living Information Channel of Suzhou television station shot a thematic programme related to pharmaceutical quality in Suzhou Dawnrays Pharmaceutical

On 7 June 2006, the Living Information Channel of Suzhou television station accompanied by senior officials from the Food and Drug Administration of Wuzhong Economic Development District, Suzhou, made a tour to Suzhou Dawnrays Pharmaceuticals Co., Ltd. for shooting a thematic programme related to pharmaceutical quality, and with the quality testing and control process being shot by the production team. Mr. Su Guo Qiang, General Manager of Suzhou Dawnrays Pharmaceuticals Co., Ltd. was interviewed by reporters regarding various aspects on quality control of pharmaceutical manufacturing enterprises.

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Industry News Update

Antibiotics will yet to stage a comeback

China possesses great capabilities for its antibiotic bulk medicine production and is in a prominent position in the international market, such as the production of Spiramycin in China has overwhelmed Japan to become the major supplier. Moreover, the demand for Macrolides antibiotics, such as Erythromycin in the international market has become greater in the past few years owing to further processing of the bulk medicine can produce a series of new drugs, like Clarithromycin, Roxithromycin, etc. Furthermore, certain old drugs of antibiotics, e.g. Lincomycin, Griseofulvin, etc. have a good potential to stage a comeback, as the new dosage forms of these old drugs can bring an effective treatment outcome and also reduce the corresponding adverse drug reactions. The “recovery” of old drugs of antibiotics is said to be a good news to antibiotic manufacturing enterprises in our country, which in turn can boost manufacturing and export quantities.

In recent years, it is reported that certain western renowned antibiotic manufacturers like GlaxoSmithKline and DSM, etc. have been closing their manufacturing base in Europe or United States successively, and shifting to produce more profitable new products of antibiotics. Take a long view of the development trend, totally synthesized antibiotics can achieve advantages such as accurate optimization of treatment outcome, strong bacteriostatic effect, as well as reduced production of drug-fast bacteria, etc. It is anticipated that these new types of totally synthesized antibiotics will play a prominent part in the area of clinical drug trials.

Moreover, for the sake of cost-saving, some European and United States pharmaceutical manufacturers of preparations intend to shift their production of antibiotic bulk medicine to countries with lower cost in manpower, like China, India and even South-East Asia, etc., and in accordance with European and American standards for selling back to Europe and United States. To view in another way, this can be considered to be a great news to the manufacturing enterprises of antibiotic bulk medicine in our country.

Growth on sales volume of global blockbuster drugs will continue

According to United States Fortune Magazine, IMS, a market research organization forecasted that drug sales growth in global pharmaceutical market will rise from 7% to 9%, and volume of certain blockbuster drugs will continue to grow in the next several years.

Fortune Magazine has also enumerated 5 potential salable drugs in year 2006:

EXUBERA[®], an insulin inhalation powder and SUTENT[®], an anti-cancer medicine from Pfizer Inc. will be approved by the United States Food and Drug Administration (FDA). EXUBERA[®] is the first inhaled form of insulin mainly indicated for the treatment of diabetes. It is far more convenient as compared with traditional insulin injections and therefore possesses predominant competitive edge. SUTENT[®] is a targeted anti-cancer treatment for patients with gastrointestinal stromal tumors (GIST) or advanced renal cell carcinoma (RCC), by attacking the cancer cells that make up tumors and has fewer poisonous side effects than chemotherapy. Moreover, a cervical cancer vaccine GARDASIL[®] from Merck & Co., Inc. is expected to be approved for production in this summer with bright market prospects. Under development by Bristol-Myers Squibb Company, Orelvekin[®] (abatacept) is a medicine which approved recently for the treatment of rheumatoid arthritis (RA) and is anticipated to be launched in market in February this year. Acomplia (Rimonabant), an anti-obesity drug developed by Sanofi-Aventis, is expected to gain approval for production shortly. Some analysts have speculated Acomplia to yield annual sales of 5 billion US dollars owing to its indication for treatment of diabetes as well as to curb smoking.

Shanghai Asia Pioneer Pharmaceutical Co., Ltd. retreated from its disputes over the patent right of “Pai Shu”

Disputes over the patent right of “Pai Shu” (Piperacillin Sodium and Sulbactam Sodium for Injection) between eleven allied pharmaceutical enterprises and Guangzhou Welman Pharmaceutical Company which lasted for more than half a year finally come up with new trends. Recently, Shanghai Asia Pioneer Pharmaceutical Co., Ltd. suddenly retreated from the alliance as forged by the eleven enterprises, and entered into an

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agreement with Welman Pharmaceutical Company and Harbin Zhicheng Academy of Pharmaceutical Technology, in which Welman Pharmaceutical Company assigned the patent right of "Pai Shu" to these two enterprises in a sum of RMB eighty million yuan, as well as forming a production and sales alliance with Welman Pharmaceutical Company. So far as known, this was the patent assignment case ever biggest in the pharmaceutical industry of our country. It was also reported that the future demand for "Pai Shu" in China market will be as much as RMB one billion yuan. Upon forging an alliance, members will have adequate allocation on their production capability in accordance to the overall demand in market to avoid vicious competition. At present, disputes over the patent right of "Pai Shu" between Guangzhou Baiyunshan Medical Technology Development Co., Ltd., the subsidiary enterprise of Baiyunshan General Pharmaceutical Co., Ltd. and Welman Pharmaceutical Company was being heard in the People's Intermediate Court in Guangzhou. It is still too early to say who will be the winner of the case, but if Baiyunshan wins the lawsuit, this implies that the patent as filed by Welman Pharmaceutical Company will probably be invalidated.

Bringing new ideas to the development of antibiotic intermediates

China is in a prominent position internationally for its antibiotic intermediates and bulk medicine and antibiotic products as derived from Penicillin also stand in the forefront in terms of foreign export earnings. Statistics demonstrated that global antibiotic businesses are developing at an average annual growth rate of 8%. How can we hold the edge of this enormous market? This requires new additional development demands to be implemented by the antibiotic intermediates manufacturing enterprises.

In recent times, there are broad applications for cephalosporin antibiotics parent nucleus, such as 7-ACA (7-aminocephalosporanic acid), 7-ADCA (7-Aminodesacetoxycephalosporanic acid) and GCLE (7-Phenylacetamide -3-chlorormethyl- 3-cepham- 4-carboxylic acid p-m-ethoxybenzyl ester) etc. and thus is becoming a popular point for research, development and manufacture of antibiotic intermediates. At present, China has already possessed the capability for entering into the international market on the manufacture of 7-ACA. As China has already gained the ascendancy in the manufacture of Penicillin and in view of the fact

that 7-ADCA and GCLE are all derived from Penicillin, this will certainly enhance the technical contents and profits of these products, and thus suitable for production by domestic enterprises. Some products with advance processing from Penicillin, like Mezlocillin, Azlocillin, etc., have a pronounced enhancement in their spectrum of activity and drug resistance of bacteria as compared with Penicillin. They also show specificity in their treatment outcome when treating certain specific kinds of bacteria, and therefore are also becoming the key research and development species in the pharmaceutical industry of our country. Further processing of Penicillin can also produce Beta-lactamase inhibitors, such as Sulbactam Sodium, Tazobactam etc., which inhibit the action of bacterial beta-lactamases, and thus can prevent degradation of penicillin and cephalosporin antibiotics and enhance the treatment outcome as a result.

It is worth mentioning that just the same as other aspects in pharmaceutical manufacture, development of pharmaceutical intermediates should be based on technological research and complete mastery of unique technologies of one's intellectual property.

Novartis AG achieved record results in 2005 and will expand business to target at China and India

In view of the dramatic growth in pharmaceutical market of China and India, Novartis AG is planning to expand its sales in these two countries, in particular in the area of generic drugs, said Daniel Vasella, Chief Executive Officer of Novartis AG, Switzerland during the company's annual results and highlights meeting. Dr. Vasella continued that China and India have broad market for pharmaceutical sales, in which China's pharmaceutical market has been increased by 22% in year 2005. It is anticipated that population proportion with drug purchase power in India will rise from the present 35% to 80% in year 2010.

Thomas Ebeling, head of the Worldwide Pharmaceuticals Division of Novartis AG, indicated that the company intends to expand the sales of generic drugs in China, and will probably involve acquisition of some local pharmaceutical companies.

He said that to be capable to compete in China, it is crucial for Novartis AG to achieve one-stop services in the region and the company will investigate to set up a pharmaceutical company in China. Moreover, Novartis AG is planning to establish a research and development centre in Shanghai or Beijing, China and the centre will need a few hundreds of scientific researchers upon established.



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Dear valued investors,

If you have any queries or comments, you are welcomed to contact our Ms. Vanessa Yeung of Investor Relations team.

Thank you !

Yours sincerely,

Kehan Xu
 Finance Director
 June 2006

State Food and Drug Administration made a decision to suspend the use and approval of seven injections inclusive of Herba Houttuyniae Injection

State Food and Drug Administration (SFDA) recently made a decision to suspend the use and accepting examination and approval of all applications for the registration of seven injections, including Herba Houttuyniae Injection (Yuxingcao Zhusheyeye). At present, there are more than 100 manufacturing enterprises in our country with the production of such products. The clinical application is mainly for anti-infection treatment.

According to the National Center for Adverse Drug Reactions Monitoring, clinical applications for the seven injections inclusive of Herba Houttuyniae Injection (Yuxingcao Zhusheyeye) revealed severe adverse effects such as anaphylactic shock, generalized anaphylaxis, chest tightness, impatient, breathlessness, severe drug-associated rashes, etc., and even death cases have been reported.

To safeguard the public with safe and effective medication, the SFDA has made the above decision so as to prevent incidents of accidental dosing or severe adverse effects that would likely be repeated. The SFDA will also organize and initiate investigation and re-evaluation works in connection with the above-identified drugs.

At the same time, the SFDA also requested all pharmaceutical enterprises to keep a close watch on drug safety in clinical applications of their products as launched in market and initiate relevant safety investigation, as well as strengthening the monitoring of any possible drug adverse effects for the purpose of safeguarding the public with safe and effective medication.



Devoting to the health of human beings...

Successful pass on three major management system certifications of Suzhou Dawnrays Chemical Co., Ltd. by United States AQA International, LLC

On 25 May 2006, Suzhou Dawnrays Chemical Co., Ltd. has successfully passed the certification and audit on Quality Management System ISO9001:2000, Environmental Management System ISO14001:2004 and Occupational Health and Safety Management System OHSAS18001:1999 as conducted by American Quality Assessors International, LLC (AQA International, LLC), an accredited organization in United States and has been awarded with Certificate of Assessment.

