



DAWN RAYS PHARMACEUTICAL (Holdings) Limited

Annual Results Announcement 2006

Hong Kong, 22 March 2007



東瑞製葯(控股)有限公司
Dawnrays Pharmaceutical (Holdings) Limited

Chairman's Statement

Ms. Li Kei Ling

Chairman





東瑞製葯(控股)有限公司
Dawnrays Pharmaceutical (Holdings) Limited

Welcome from Dawnrays

Annual Results Announcement 2006

On behalf of the Board of Directors of Dawnrays Pharmaceutical (Holdings) Limited, we would like to welcome you all to participate our Annual Results Announcement 2006.

Li Kei Ling

Chairman

Hong Kong, 22 March 2007



Financial Highlights

for the year ended 31 December 2006

For the year ended 31 December	2006	2005	Change
Audited	RMB '000	RMB '000	%
Turnover	788,797	734,002	↑ 7.5
Gross profit	184,009	215,233	↓ (14.5)
Profit before tax	69,329	105,949	↓ (34.6)
Net profit attributable to equity holders	65,781	105,646	↓ (37.7)
Earnings per share-basic (RMB)	0.0823	0.1321	↓ (37.7)
Final dividend per share (HK\$)	0.017	0.035	↓ (51.4)



Overview

Chairman's Statement

Cephalosporin

- The Group is engaged in the manufacturing, sales and marketing of non-patented chemical drugs in the PRC covering various drug formulations including Cephalosporin bulk medicines and powder for injections
- One of the few third generation Cephalosporin manufacturers in the PRC which adopted the comprehensive vertically-integrated-production-process
- The solvent-crystallization technique for producing Cefoperazone has become the competitive technology in the PRC



Overview

Chairman's Statement

Generic Drugs (System Specialty Drugs)

- According to the arrangement for adjusting the Group's product portfolio, sales of the Group's high gross profit margin products, generic drugs (system specialty drugs), grew significantly in 2006
- Its account on the total sales increased from **8.8%** in 2005 to **11.2%** in 2006



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Overview

Chairman's Statement

Export Sales

- In 2006, the Group's export sales achieved **RMB 73,396,000**
- The sales representing over **9%** of total sales, significantly grew by **85.8%** as compared with the corresponding period of last year



Overview

Chairman's Statement

Development Strategies

- Continuously optimizing its product portfolio, striving to develop the generic drugs' (system specialty drugs) market and overseas market
- Enhancing investments in research and development ("R & D") and markets
- Attracting and recruiting talented people
- Create actively a new profitable platform



Final Dividend

Chairman's Statement

The Board has declared a final dividend of **HK\$ 0.017** per share for the year ended 31 December 2006, amounting to the total sum of approximately **HK\$ 13,585,000**.

(approximately equivalent to **RMB 13,654,000**).

Considering the interim dividend of **HK\$ 0.015** per share, the total annual dividend distribution for the year ended 31 December 2006 is **HK\$ 0.032** per share. The dividend payout ratio of is approximately **39%**.

Financial Review

Ms. Wu Jihong

Financial Controller

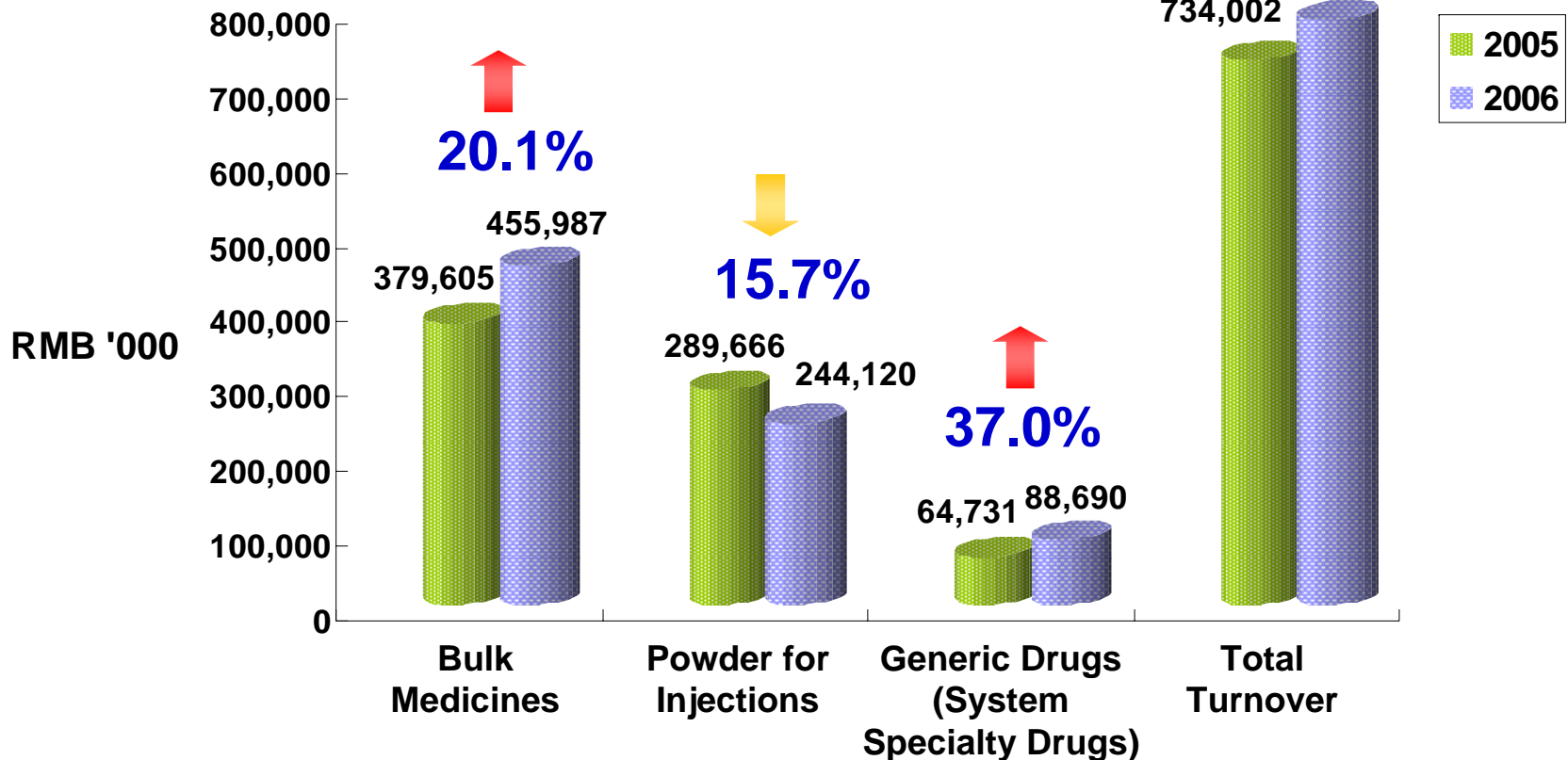




Turnover

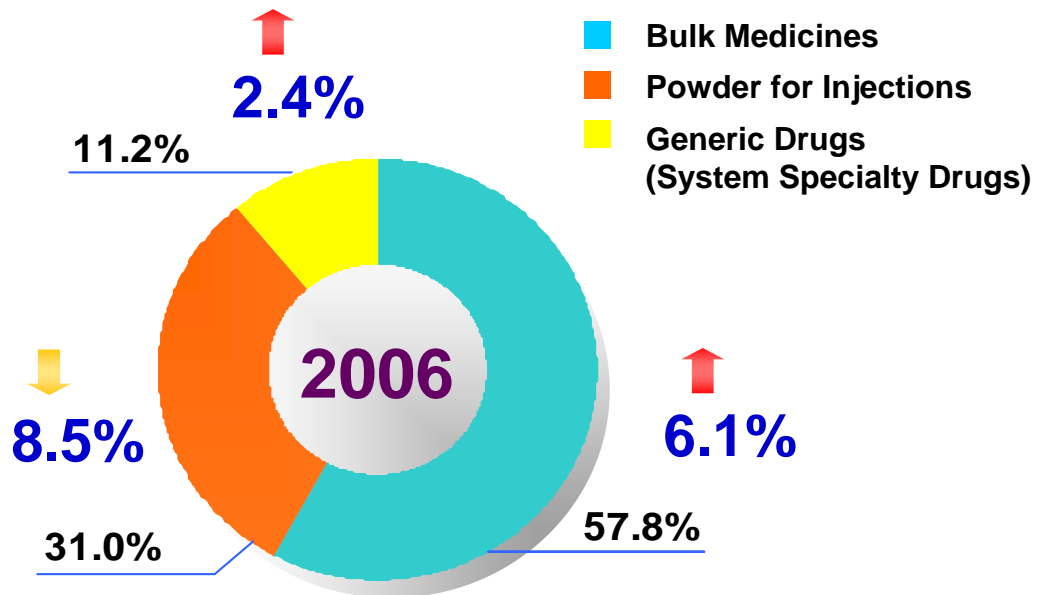
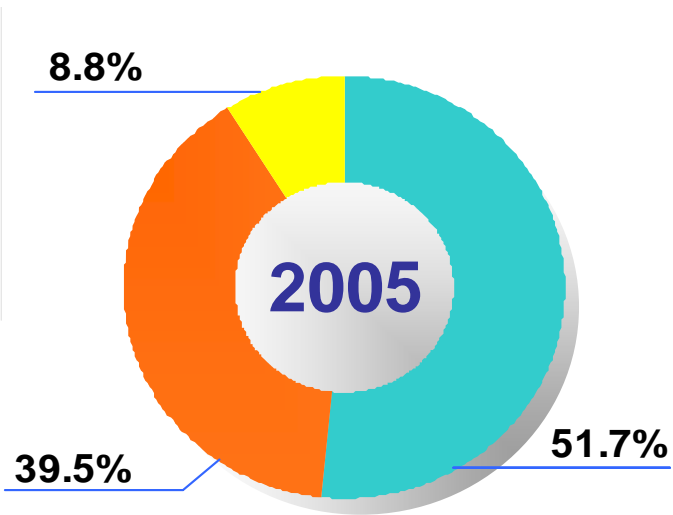
Financial Review

For the year ended 31 December





Sales Breakdown



Financial Review

- Bulk Medicines
- Powder for Injections
- Generic Drugs (System Specialty Drugs)

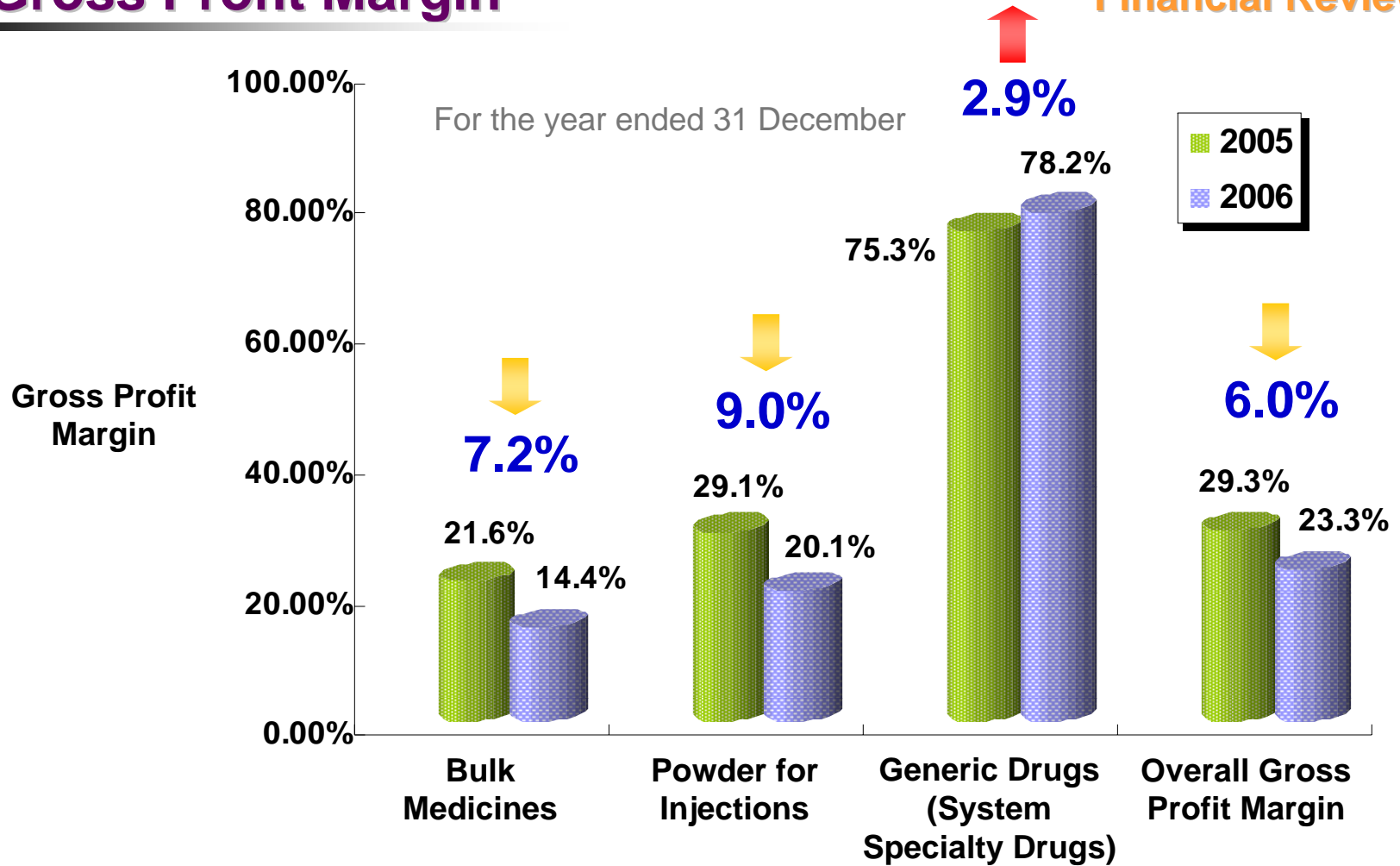
Export Sales

- The export sales increased from **RMB 39,505,900** in 2005 to **RMB73,396,000** in 2006, equivalent to an increase of **85.8%**



Gross Profit Margin

Financial Review





Expenses

Financial Review

For the year ended 31 December 2006

	2006	Change	As a Percentage of	As a Percentage of
	RMB '000	%	Turnover in 2006	Turnover in 2005
			%	%
Selling and Distribution Costs	53,669	↓ (1.0)	6.8	7.4
Administrative Expenses and Other Operating Expenses	62,990	↑ 10.9	8.0	7.7
Interest Expense	976	↑ 383.2	0.1	0.03
Total	117,635	↑ 5.7	14.9	15.2



Net Profit Attributable to Equity Holders Financial Review

- Net profit attributable to equity holders amounted to **RMB 65,781,000**, equivalent to a decline of **37.7%** compared with the corresponding period of last year
- The reasons for the decline in profit were mainly due to the decline in gross profit margin and an increase in other expenses



Return on Assets, Liquidity & Financial Resources and Capital Structure

Financial Review

For the year ended 31 December	2006	2005	Change
	RMB '000	RMB '000	
Total Assets	758,337	745,053	↑
Net Assets	513,047	489,057	↑
Current Assets	487,506	473,016	↑
Current Liabilities	245,290	255,996	↓
Net Current Assets	242,216	217,020	↑
Aggregated Bank Facilities	463,400	450,000	↑



Return on Assets, Liquidity & Financial Resources and Capital Structure

Financial Review

For the year ended 31 December

Return on Net Assets (defined as the net profit attributable to equity holders divided by net assets)

Return on Total Assets

2006	2005	Change
%	%	
12.8	21.6	↓
8.7	14.2	↓



Return on Assets, Liquidity & Financial Resources and Capital Structure

Financial Review

For the year ended 31 December 2006

Net Cash Inflow from Operating Activities

Net Cash Outflow from Investing Activities

Net Cash Outflow from Financing Activities

Cash and Cash Equivalents

	2006 RMB '000	2005 RMB '000	Change
Net Cash Inflow from Operating Activities	50,613	52,115	↓
Net Cash Outflow from Investing Activities	15,269	65,467	↓
Net Cash Outflow from Financing Activities	43,206	32,555	↑
Cash and Cash Equivalents	44,023	51,948	↓



Return on Assets, Liquidity & Financial Resources and Capital Structure

Financial Review

For the year ended 31 December

	2006	2005	Change
Current Ratio	1.99	1.85	↑
Acid Ratio	1.44	1.22	↑
Turnover Days for Trade and Notes Receivables	121	117	↑
Turnover Days for Inventory	87	85	↑
Debt Ratio (defined as bank advances for discounted bills over total assets)	3.3%	2.4%	↑



Capital Commitments

Financial Review

As at 31 December 2006, the Group's capital commitments amounted to approximately **RMB 43,865,000** (as at 31 December 2005: **RMB 37,759,000**), which mainly derived from:

- New bulk medicine workshop for oral Cephalosporin products
- Land purchase expenditures
- Environmental protection projects, etc.

Business Review

Mr. Gao Yi

Chief Executive Officer





2006 Year-end Work Review

Business Review

Budget Implementation

The results of the Group in 2006 failed to achieve the budget targets as set earlier the year. The main reasons for the decline in gross profit margin are as follows:

- With the impact arising from the national retail-drug-price cutting, the prices of Cephalosporin antibiotic products (bulk medicines and powder for injections) dropped successively, leading to the general decline in gross profit margin of the Group
- Price of the main raw material 7-aminocephalosporanic acid (7-ACA) fluctuated substantially. Nearly 40% up and down occurred within 3 months, which directly resulting in the rise of cost
- The sustained surge in oil prices has induced the price escalations of major chemical solvents of the Group, which also contributed to the reason for the cost increase
- Increased input to improve production techniques for coping with competition in a fierce environment also leading to the rise of cost






2006 Year-end Work Review

Business Review

Production Highlights

- Strengthened the connection between production and sales. Under the circumstances of substantial market fluctuation, better adapted itself to changes and manipulated coordination between the production capacity and manpower to achieve the expected target in production capacity

Year	Bulk Medicines tones	Powder for Injections vials	Generic Drugs (System Specialty Drugs) boxes
2005	585.4	155,328,000	11,176,000
2006	717	154,320,000	18,050,000
Change (%)	 22.5	 0.65	 61.5

- Expedited the process of commencing production for new products, which serve to lay a solid foundation for production and sales in 2007



2006 Year-end Work Review

Business Review

Sales & Marketing Performance

- Under the circumstances of substantial market and price fluctuation of Cephalosporin antibiotics, the reinforced management in key profitable products and capacity supporting products has sustained the profit earning capability of products like, Cefoperazone Sodium and Sulbactam Sodium for Injection. Ceftriaxone Sodium for Injection has maintained the overall production capacity of the Group
- Fully utilized the current diverse resources for sales and marketing of the Group, jointly supported the brand-building of “Dawnrays Pharma” and strengthened the market supports to achieve the effect of complementing each other's advantages and sharing of resources



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2006 Year-end Work Review

Business Review

- The export business of the Group was reinforced, resulting in a substantial growth of the export sales
- The product portfolio of system specialty drugs was adjusted and its sales drive was reinforced, leading to the successive sales growth of products like “Xi Ke Wei” (西可韋), “An Nei Zhen” (安內真), etc. Its sales accounted for **11.2%** of the total sales of the Group



2006 Year-end Work Review

Business Review

Research & Development

- In 2006, the Group obtained **29** production permits for **15** species of products from the State Food and Drug Administration (SFDA) of the PRC. There were **10** certificates of new pharmaceutical products granted
- Research on the production techniques of Cefoxitin (頭孢西丁) and Cefminox (頭孢米諾) was basically completed
- Active R & D on specialty bulk medicines was conducted. By 2008, production permits for over **18** new products (including preparations) will be granted progressively



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Focus of Efforts in 2007

Business Review

Sales & Marketing

- Continue to sustain and expand the current product advantages for maintaining the profit earning capability
- To strengthen new products' sales to strive new profit growth
- To establish new organizational structure for exploiting new profitable business model



Focus of Efforts in 2007

Business Review

Management

- To reform the performance assessment system for reinforcing encouragement and motivation
- To formulate a Five-Year Development Plan for defining direction of development
- To foster the development of management team and attracting greater number of superior talents to serve the Group
- To fortify the establishment of corporate culture for strengthening the cohesion



Focus of Efforts in 2007

Business Review

New Production Project

- Purchased a new piece of land in Suzhou which covers an area of **120 mu** and is proposed to build workshops for bulk medicines and oral preparations in solid-dosage-form in two years' time which will base on the FDA standard with products oriented to the European and American markets
- Building 2 new workshops for bulk medicines according to the European COS standard. The products will comply with the European standard, which will be ready for entering into competition of the international market
- To cope with the Group's demand of future development, a piece of land which covers an area of **130 mu** has been acquired in Nantong, Jiangsu Province and the planning process is being initiated



Focus of Efforts in 2007

Business Review

Research & Development

- To adjust R & D projects for enhancing the success rate and meeting the market demand
- Continue to urge R & D reform by smart placement of research personnel for initiating their motivation, improving the work efficiency and pace
- To initiate extensive cooperation with research institutions, colleges and universities for exploring new projects and expediting the progress for R & D
- To strengthen the international project cooperation in preparation for pushing forward the business into the international market

Q & A Session

Thank you

