

# 東瑞製葯(控股)有限公司

# DAWN RAYS

# PHARMACEUTICAL (Holdings) Limited

( Listed on the Main Board of The Stock Exchange  
of Hong Kong Limited Stock Code: 2348 )

## Interim Results Announcement 2007

Hong Kong, 24 August 2007



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





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Dawnrays Pharmaceutical (Holdings) Limited



# Contents

## Interim Results Announcement 2007

- **Chairman's Statement**
- **Financial Review**
- **Business Review**



# Chairman's Statement

Ms. Li Kei Ling

*Chairman*





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

## Financial Highlights

for the six months ended 30 June 2006

For the six months ended 30 June Unaudited	2007 RMB '000	2006 RMB '000	Change %
<b>Turnover</b>	<b>437,202</b>	398,197	↑ 9.8
<b>Profit before tax</b>	<b>46,108</b>	48,207	↓ (4.35)
<b>Net Profit attributable to equity holders</b>	<b>41,356</b>	45,451	↓ (9.01)
<b>Earnings per share – basic (RMB)</b>	<b>0.0516</b>	0.0568	↓ (9.15)
<b>Interim dividend per share (HK\$)</b>	<b>0.015</b>	0.015	–

- The increase in turnover was mainly attributable to the steady growth in revenue from the businesses of the Group.
- The decline in profit was mainly due to the increase in prices of chemical raw materials, sales expenditures and enterprises' income tax.



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## Interim Dividend

## Chairman's Statement

The Board has resolved to declare an interim dividend of **HK\$ 0.015** per share for the year ended 31 December 2007, approximately amounting to the total sum of **HK\$ 12,064,000** (approximately equivalent to **RMB 11,804,000**).



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## Overview

## Chairman's Statement

- Operation for the first half of 2007 had been well with sound financial position.
- By leveraging on the advantageous vertically integrated production and sales strategies among the upper, middle and lower stream, the Group has been ranking among the top 100 enterprises among over 4,000 pharmaceutical enterprises in the PRC.
- To improve the production conditions of the Group under its middle term development plan in accordance with the pharmaceuticals production technologies and standards of internationally leading countries.
- During the first half of 2007, the Group separately devoted resources to the upper, middle and lower stream of its industry chain.



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## Overview (Cont'd)

## Chairman's Statement

A Key Project in the “Eleventh Five-Year Plan” :

### **“Chinese Hypertension Intervention Efficacy Study” (CHIEF Study)**

- The Group as the only research and cooperation partner and designated supplier for drugs used in research, participated in the largest integrated medical project for the prevention and treatment of hypertension in the PRC.
- The project is one of the key projects in the Eleventh Five-Year Plan (“Eleventh Five-Year Plan”) of the PRC.
- Supported by the Ministry of Health and the Ministry of Science and Technology of the PRC, and is conducted by the Cardiovascular Institute, Chinese Academy of Medical Sciences in the PRC.
- The first Eleventh Five-Year Plan project in the medical sector in the PRC that is supported by the State, which basically covers major hospitals in the Mainland PRC.
- The Group is entitled to all interests from the commercialization of the results from the research of the project.
- It is expected that the project will improve the Group's capabilities in the marketing and research of cardiovascular drugs.



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## Prospects

## Chairman's Statement

- To seriously and properly deal with the conflict between corporate development and environmental protection, to monitor production processes at different phases comprehensively and to enhance our quality assurance system so as to assure the delivery of quality products for use.
- To devote resources on our own to adapt to the strict requirements of the regulatory authorities in terms of environmental protection, quality and other aspects.
- To fulfill the requirements as laid down by Chinese supervisory authorities for pharmaceutical productions in the planning of standards for the construction of new projects. At the same time, we have to obtain the certification and pass the examination by leading national pharmaceutical regulatory authorities.
- To strengthen the development of the overseas business more effectively.

# Financial Review

Ms. Wu Jihong

*Financial Controller*





## Financial Position

## Financial Review

	2007 30 June RMB '000	2006 31 December RMB '000	Change
	Audited	Unaudited	
<b>Total Assets</b>	<b>787,031</b>	758,337	↑
<b>Current Assets</b>	<b>523,353</b>	487,506	↑
<b>Current Liabilities</b>	<b>243,249</b>	245,290	↓
<b>Net Current Assets</b>	<b>280,104</b>	242,216	↑
<b>Net Assets</b> (being total assets less current liabilities)	<b>543,782</b>	513,047	↑



## Operating Expenses

## Financial Review

For the six months ended 30 June Unaudited	2007 RMB '000	2006 RMB '000	Change %
<b>Selling and Distribution Costs</b>	<b>30,525</b>	24,936	↑ 22.4
<b>Administrative Expenses</b>	<b>18,072</b>	18,992	↓ 4.8
<b>Other Expenses</b>	<b>4,347</b>	11,443	↓ 62.0
<b>Finance Costs</b>	<b>—</b>	519	↓ 100.0
<b>Total</b>	<b>52,944</b>	55,890	↓ 5.3

- Other expenses were decreased from the corresponding period of last year mainly due to the decrease in related provisions and research and development costs.
- Selling and distribution costs were increased compared with the corresponding period of last year, which was mainly due to:
  - the change in sales strategies and the increase in marketing activities expenses for the expansion of sales network ;
  - as there were more sales, together with the increase in fuel expenses, there were relatively more distribution expenses.



## Liquidity

## Financial Review

For the six months ended 30 June Unaudited	2007 RMB '000	2006 RMB '000	Change
<b>Net Cash Flow from Operating Activities</b>	<b>39,929</b>	37,861	↑
<b>New Cash Flow used in Investing Activities</b>	<b>(5,381)</b>	(21,591)	↓
<b>New Cash Flow used in Financing Activities</b>	<b>(10,853)</b>	(30,191)	↓
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>23,695</b>	(13,921)	↑
<b>Cash and Cash Equivalents at 1 January</b>	<b>44,023</b>	51,948	↓
<b>Cash and Cash Equivalents as 30 June Representing Bank Balances and Cash</b>	<b>67,718</b>	38,027	↑



## Liquidity and Gearing Ratio

## Financial Review

	2007 30 June	2006 31 December	Change
	Unaudited	Audited	
<b>Current Ratio</b>	<b>2.15</b>	1.99	↑
<b>Acid Ratio</b>	<b>1.66</b>	1.44	↑
<b>Turnover Days for Trade and Notes Receivables (day)</b>	<b>123</b>	121	↑
<b>Turnover Days for Inventory (day)</b>	<b>73</b>	87	↓
<b>Bank Advances for Discounted Bills (RMB '000)</b>	–	<b>25,351</b>	↓
<b>Gearing Ratio</b> (being bank advances for discounted bills over total assets)	–	<b>3.3</b>	↓
<b>Stand-by Banking Facilities</b>	<b>543,400</b>	<b>463,400</b>	↑



## Profitability

## Financial Review

For the six months ended 30 June Unaudited	2007 %	2006 %	Change
<b>Return on Net Assets</b> (being the net profit attributable to equity holders divided by net assets)	<b>7.6</b>	9.0	↓
<b>Return on Total Assets</b> (being the net profit attributable to equity holders divided by total assets)	<b>5.3</b>	5.6	↓



## Capital Commitment

## Financial Review

As at 30 June 2007, the Group's capital commitment was approximately **RMB 118,692,000** (as at 31 December 2006: **RMB 43,865,000**), which was mainly derived from:

- the construction of new workshops projects so as to expand the production capabilities of the Group in different phases.
- The Group has sufficient financial and internal resources to bear the capital expenditures.

# Business Review

Mr. Gao Yi

*Chief Executive Officer*





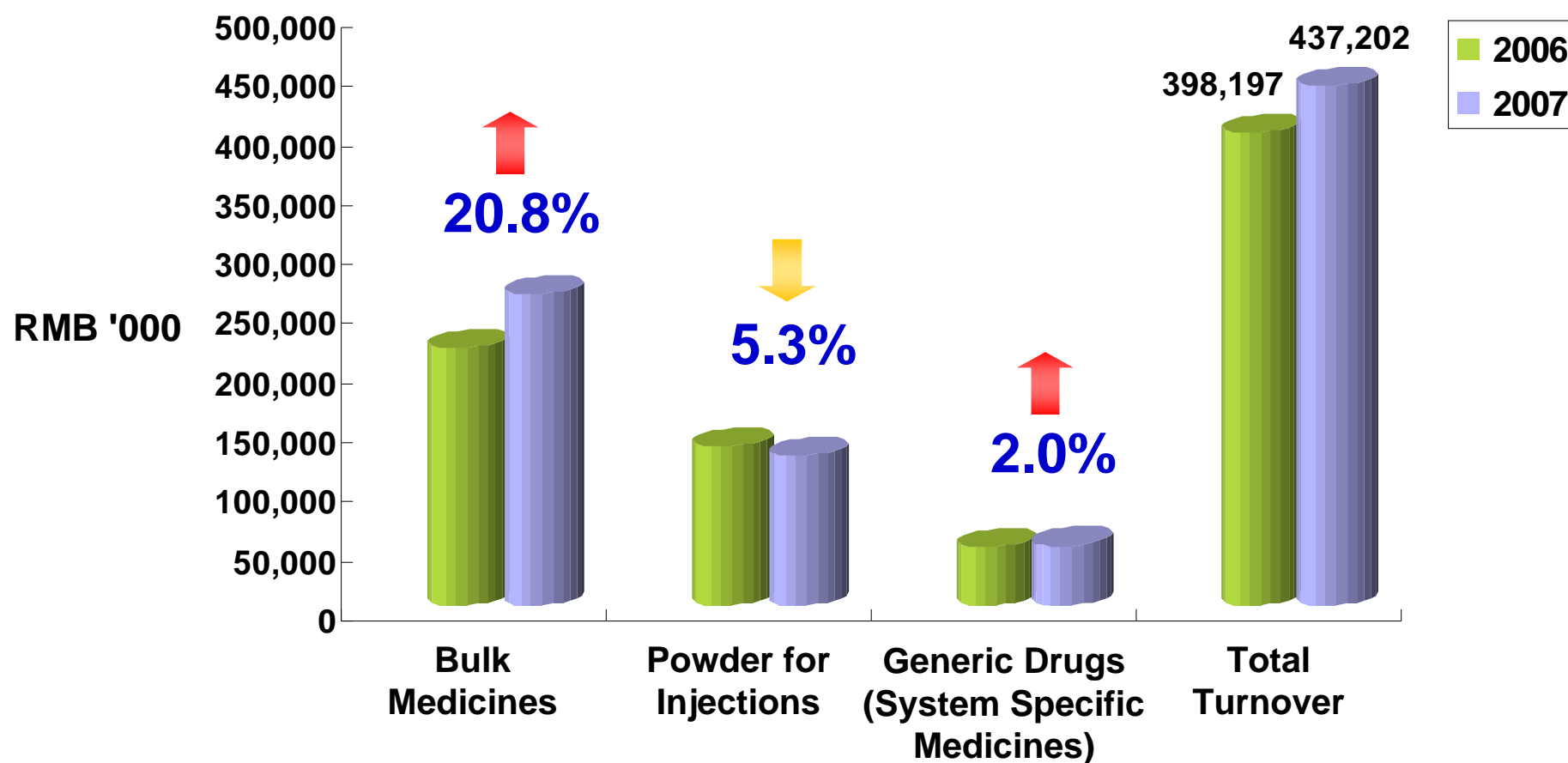
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## Operation Overview

## Business Review

For the six months ended 30 June

↑  
**9.8%**



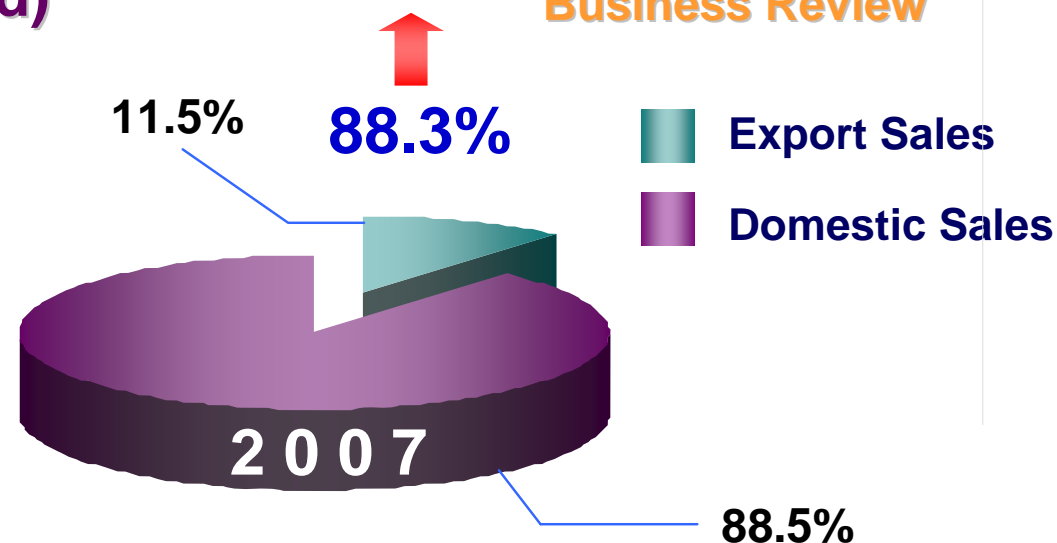
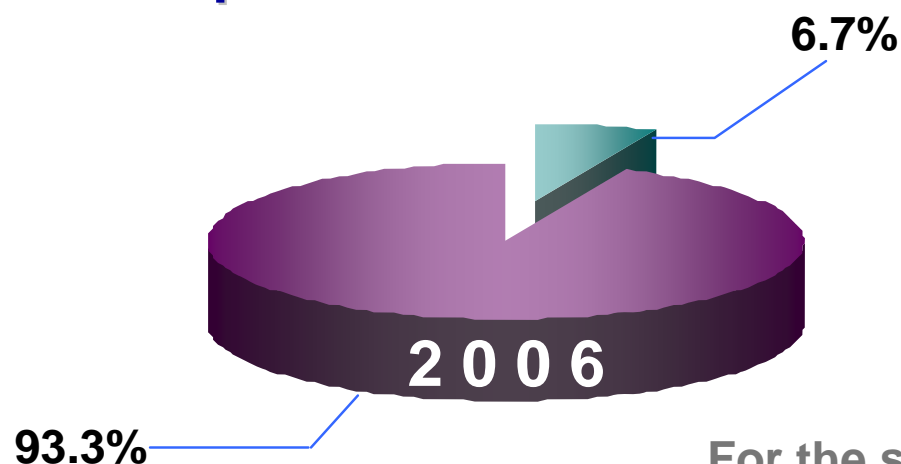


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## Operation Overview (Cont'd)

### Business Review

#### Export Sales



For the six months ended 30 June

- The increase in sale was mainly attributable to the change in product composition and sales strategy according to the market conditions.
- The Group has actively expanded overseas market.
- As the orders from overseas increased substantially, the turnover from bulk medicines increased from the corresponding period of last year.
- As there was further expansion in the markets for generic drugs (system specific medicines) with higher profit margin in the PRC, the turnover continued to increase.
- In view of the marketing strategies, the sales for certain low profit margin products on powder for injections were reduced.



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## New Products Highlights

## Business Review

- For the first half of 2007, there were a total of **25** types and specifications of products that had changed production approvals.
- There were **26** types of products that had completed research in technique, quality and/or clinical research and filed registration.



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## Projects to Construct Production Facilities for Expansion

The Group separately devoted resources to the upper, middle and lower stream of its industry chain during the first half of 2007, and made various major deployments as follows :

### Pharmaceutical chemical intermediates

- **Suzhou Dawnrays Chemical Co. Ltd.** : The design on the new workshop project for the expansion of production capabilities was fundamentally completed;
- **Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd.** : A piece of industrial land at approximately **130 mu** (about **8.7 hectares**) was acquired for the construction of new plant in Nantong, Jiangsu Province. The construction had commenced, and it is expected that the new plant will commence operation in the second half of 2008, which has two strategic value propositions to the Group:
  - To expand the production capabilities of pharmaceutical chemical intermediates so as to fulfill the demand from the market in view of the continuous increase in sales;
  - The high quality intermediates produced by the new plant can be sold directly overseas, and explore new profit growth points of the Group.



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Dawnrays Pharmaceutical (Holdings) Limited

## Projects to Construct Production Facilities for Expansion (Cont'd)

### Bulk Medicines

#### ● Suzhou Dawnrays Pharmaceutical Co. Ltd.

- A German professional design firm on pharmaceutical industrial production was engaged to design the two new workshops for bulk medicines.
- The new workshops will be constructed strictly in accordance with the standards of European Union so as to ensure the quality of every work.
- Essential and high standard management measures will be imposed accordingly so as to assure that the products will pass the Certification of Suitability to the Monographs of the European Pharmacopoeia (COS) under European Directorate for the Quality of Medicines (EDQM) of the European Union.



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## Projects to Construct Production Facilities for Expansion (Cont'd)

### Bulk Medicines

- **Suzhou Dawnrays Pharmaceutical Co. Ltd.**

- Further leverage on the rapid growth in overseas sales business at over 60% per annum for the past three financial years through these exercises.
- It is expected after the two new workshops commenced operation, the competitiveness of the Group in the overseas market, in particular the high end market, will increase significantly.



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## Projects to Construct Production Facilities for Expansion (Cont'd)

### Pharmaceutical Preparations

- Apart from the acquisition of land in Nantong, Jiangsu Province as referred to above, the Group intends to additionally acquire land in Suzhou, and construct oral bulk medicines and pharmaceutical preparations production plants according to the standard of U.S. Food and Drug Administration (FDA).



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Dawnrays Pharmaceutical (Holdings) Limited

## Staff and Remuneration Policy

### Business Review

For the six months ended 30 June Unaudited	2007	2006	Change %
<b>Number of Employees</b>	<b>1,527</b>	1,425	↑ 7.2
<b>Total Remuneration (RMB '000)</b>	<b>25,232</b>	24,725	↑ 2.0

- The Group provides its employees with other fringe benefits, including defined contribution retirement schemes, share option scheme, medical coverage and offers some of its employees stationed in the PRC with dormitory accommodation.

THANK YOU

