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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Dawnrays Pharmaceutical (Holdings) Limited, you should at once hand this circular to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**DAWRAYS PHARMACEUTICAL (HOLDINGS) LIMITED****東瑞製藥(控股)有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 2348)**

**PROPOSALS FOR  
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;  
RE-ELECTION OF DIRECTORS;  
REFRESHMENT OF SCHEME MANDATE  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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The notice convening the annual general meeting of Dawnrays Pharmaceutical (Holdings) Limited to be held at Plaza 3, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on 6 May 2011 at 10:00 a.m. is set out on pages 15 to 19 of this circular.

A form of proxy for use in connection with the annual general meeting is enclosed herewith. Whether or not you are able to attend the AGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company at Suites 3212-13, Shell Tower, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

31 March 2011

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“AGM”	the annual general meeting of the Company to be held at Plaza 3, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on 6 May 2011 at 10:00 a.m., notice of which is set out on pages 15 to 19 of this circular or any adjournment thereof;
“2010 Annual Report”	The annual report of the Company for the year ended 31 December 2010;
“Articles”	the existing articles of association of the Company;
“Board”	the board of Directors;
“Companies Law”	The Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Company”	Dawnrays Pharmaceutical (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	25 March 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Participants”	the eligible participants of the Scheme in accordance with the rules of the Scheme;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Scheme”	the existing share option scheme adopted by the Company on 21 June 2003;

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## DEFINITIONS

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“Scheme Mandate ”	the total number of Shares which may be issued upon the exercise of all options that may be granted under the Scheme, being 10% of the Company’s issued share capital as at the date on which the dealings in the Shares first commenced on the Stock Exchange, which may be “refreshed” on and pursuant to the rules of the Scheme;
“Share(s)”	Share(s) of HK\$0.10 each in the issued share capital of the Company;
“Shareholder(s)” or “Member(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers, as amended from time to time; and
“%”	per cent.

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LETTER FROM THE BOARD

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**DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED**

**東瑞製葯（控股）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2348)**

*Executive Directors:*

Ms. LI Kei Ling (*Chairman*)

Mr. HUNG Yung Lai

Mr. LI Tung Ming

Mr. GAO Yi

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Non Executive Director:*

Mr. LEUNG Hong Man

*Head office and principal place*

*of business in Hong Kong:*

*Independent Non-executive Directors:*

Mr. PAN Xue Tian

Mr. CHOI Tat Ying Jacky

Mr. LO Tung Sing Tony

Suites 3212-13

Shell Tower

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

31 March 2011

*To the Shareholders*

Dear Sir or Madam,

**PROPOSALS FOR  
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;  
RE-ELECTION OF DIRECTORS;  
REFRESHMENT OF SCHEME MANDATE  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**I. INTRODUCTION**

The purpose of this circular is to provide you information regarding the proposals for the granting of the general mandates to issue and repurchase Shares, refreshment of the Scheme Mandate and re-election of directors to enable you to make a decision on whether to vote for or against the resolutions in connection with such matters to be proposed at the AGM.

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## LETTER FROM THE BOARD

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### II. GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 7 May 2010, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the ordinary resolution granting the general mandate. Such mandate will lapse at the conclusion of the AGM. Therefore, an ordinary resolution (“Repurchase Resolution”) will be proposed at the AGM to grant a general mandate to the Directors to exercise the powers of the Company to repurchase, at any time until the next annual general meeting of the Company following the passing of the Repurchase Resolution or such earlier date as stated therein, Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of the Repurchase Resolution (“Repurchase Mandate”).

An explanatory statement, as required under the Listing Rules to provide the requisite information in connection with the Repurchase Mandate, is set out in Appendix II to this circular.

### III. GENERAL MANDATE TO ISSUE SHARES

An ordinary resolution will be proposed at the AGM to grant a general mandate to the Directors to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing such resolution (“Issue Mandate”). At the Latest Practicable Date, the total issued share capital of the Company is 797,044,000 Shares. Subject to the passing of the resolution granting the Issue Mandate and on the basis that no further Shares are issued or repurchased before the AGM, the Company will be allowed to issue a maximum of 159,408,800 Shares.

In addition, if the Repurchase Mandate and Issue Mandate are granted, an ordinary resolution will also be proposed at the AGM to extend the Issue Mandate by adding to it the number of Shares repurchased by the Company under the Repurchase Mandate.

The Repurchase Mandate and the Issue Mandate would continue in force until (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; or (c) the Repurchase Mandate and/or the Issue Mandate is/are revoked or varied by an ordinary resolution of the Company in general meeting, whichever is the earliest.

### IV. RE-ELECTION OF DIRECTORS

In accordance with article 87 of the Articles, Ms. Li Kei Ling, Mr. Leung Hong Man and Mr. Pan Xue Tian will retire by rotation and being eligible, offer themselves for re-election at the AGM. As Mr. Lo Tung Sing Tony was appointed by the Board to fill a casual vacancy on the Board with effect from 1 October 2010 pursuant to article 86(3) of the Articles, he will retire from office, and being eligible, offer himself for re-election at the AGM.

Particulars required to be disclosed under the Listing Rules of the retiring directors who will offer themselves for re-election at the AGM are set out in the Appendix I of this circular.

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## LETTER FROM THE BOARD

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### V. REFRESHMENT OF SCHEME MANDATE

#### **The Scheme Mandate**

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible persons (including the Company's directors, employees of the Group and other eligible participants as defined under the Scheme) who contribute to the success of the Group's operations. The Scheme was adopted on 21 June 2003 and will remain in force for 10 years from that date until 20 June 2013.

The existing Scheme Mandate was determined based upon the total number of Shares, which was 800,000,000 shares, in issue immediately upon listing on the Main Board on 11 July 2003, which entitles the Company to issue share options carrying rights to subscribe up to 80,000,000 Shares (without taking into account lapsed share options), being 10% of the Shares then in issue. The Company has not refreshed its Scheme Mandate before. As at the Latest Practicable Date, options carrying the rights to subscribe for 79,660,000 Shares have been granted to the grantees under the Scheme, 26,656,000 share options have been exercised, 34,712,000 share options have been cancelled, 12,652,000 share options have lapsed, and 5,640,000 share options (representing approximately 7.05% of the existing Scheme Mandate) remain unexercised. The Company has also offered to grant 10,900,000 share options pending acceptance by the Participants who have received those offers. Accordingly, assuming all the offers to grant share options are fully accepted, the Company can only grant further options carrying the rights to subscribe for 2,092,000 Shares (representing approximately 2.62% of the existing Scheme Mandate).

#### **The Proposed Refreshment**

Pursuant to Chapter 17 of the Listing Rules, the total number of securities which may be issued upon exercise of all options to be granted under a share option scheme and any other schemes of a listed issuer must not in aggregate exceed 10% of the relevant class of securities of the listed issuer in issue as at the date of approval of the scheme. The listed issuer may seek approval by its shareholders in general meeting for "refreshing" the 10% limit under the scheme. However, the total number of securities which may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer under the limit as "refreshed" must not exceed 10% of the relevant class of securities in issue as at the date of approval of the refreshed limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". The Listing Rules also provide that the limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30% of the relevant class of securities of the listed issuer in issue from time to time.

The Directors consider that the Company should refresh the Scheme Mandate so that the Company could have more flexibility to provide incentives to the Participants by way of granting share options to them. If the refreshment of the Scheme Mandate is approved at the AGM, based on the 797,044,000 Shares in issue as at the Latest Practicable Date and assuming that the issued share capital of the Company remains unchanged on the date of the AGM, the Company will be allowed under the refreshed Scheme Mandate to grant options carrying the rights to subscribe for up to a total of 79,704,400 Shares, representing 10% of the issued share capital of the Company as at the date of the AGM.

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## LETTER FROM THE BOARD

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Apart from the Scheme, the Company has no other share option schemes currently in force.

None of the grantees has been granted with options which exceed the limit of 1% of the issued share capital of the Company in the 12-month period up to and including the respective dates of grant as set out in Rule 17.03 (4) of the Listing Rules.

As at the Latest Practicable Date, the total number of Shares which may fall to be issued upon (i) the exercise of all unexercised options granted under the Scheme, and (ii) all the outstanding offers to grant options disclosed above being accepted in full, is 16,540,000, representing approximately 2.08% of the Shares in issue as at the Latest Practicable Date. If the refreshment of the Scheme Mandate is approved at the AGM, the existing outstanding options granted under the existing Scheme Mandate and the options to be granted under the refreshed Scheme Mandate will not in aggregate exceed 30% of the issued share capital of the Company.

The Directors consider that the refreshment of the Scheme Mandate is in the interests of the Group and the Shareholders as a whole because it enables the Company to reward and motivate its employees and other Participants under the Scheme.

The refreshment of the Scheme Mandate is conditional upon:

- (i) the passing of an ordinary resolution to approve the refreshment of the Scheme Mandate at the AGM; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in any new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the refreshed Scheme Mandate, being 10% of the issued share capital of the Company as at the date of passing of the relevant ordinary resolution at the AGM.

### **Listing Application**

Application will be made to the Listing Committee of the Stock Exchange for granting the listing of, and permission to deal in any new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the refreshed Scheme Mandate, being 10% of the issued share capital of the Company as at the date of passing of the relevant ordinary resolution at the AGM.

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## LETTER FROM THE BOARD

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### VI. ANNUAL GENERAL MEETING

The Notice of AGM is set out on pages 15 to 19 of this circular. A form of proxy for use at the AGM is enclosed herewith. Whether or not you are able to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at Suites 3212-13, Shell Tower, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM should you so wish.

### VII. VOTING AT THE ANNUAL GENERAL MEETING

Pursuant to the Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the general meeting must be taken by poll. The Chairman of the meeting will therefore demand a poll for every resolution put to the vote of the AGM pursuant to article 66 of the Articles.

### VIII. RECOMMENDATION

The Directors consider that the granting of the Repurchase Mandate, the Issue Mandate, the extension of the Issue Mandate, the refreshment of the Scheme Mandate, and the proposals for the re-election of Directors, are in the best interests to the Company and the Shareholders as a whole. Accordingly, the Directors recommend you vote in favour of all the relevant resolutions to be proposed at the AGM.

By Order of the Board  
**LI Kei Ling**  
*Chairman*

**Ms. LI, Kei Ling (李其玲)**, aged 62, is an Executive Director and the Chairman of the Company, and one of the founders of the Group. Ms. Li has over twenty years of experience in corporate management, strategic planning, business operations and finance, in particular for pharmaceutical enterprises in the PRC. She is responsible for supervising the strategic management decisions to ensure good corporate governance practices and business policies are established, and executing the overall developmental strategies of the Group. Ms. Li founded the Group in December 1995 and was appointed to the Board in October 2002. Ms. Li is also the Chairman of Dawnrays International Co., Ltd., Dawnrays International Co., Ltd. (東瑞國際股份有限公司), Suzhou Dawnrays Pharmaceutical Co., Ltd., Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd., Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. and Dawnrays Pharma (Hong Kong) Ltd., which are all subsidiaries of the Company. She is the Chairman of the Remuneration Committee and Nomination Committee.

Ms. Li Kei Ling and Mr. Hung Yung Lai, an executive director of the Company, are both directors and ultimate shareholders of Goldcorp Industrial Ltd, a substantial shareholder of a company listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange, Sing Lee Software (Group) Limited. Ms. Li and Mr. Hung Yung Lai are both shareholders and directors of three private companies incorporated in Hong Kong and British Virgin Islands. In addition, both Ms. Li and Mr. Hung are directors of a private company registered in the PRC. All these companies are involved in investment holding and other businesses including but not limited to trade and manufacture of fertilizers.

Save as disclosed above, as at the Latest Practicable Date, Ms. Li (i) does not hold any positions in the Company or its subsidiaries; (ii) did not hold in the last three years other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Pursuant to Part XV of the SFO, as at the Latest Practicable Date, Ms. Li is interested in the 342,072,000 shares of the Company held by Fortune United Group Limited. The issued capital of Fortune United Group Limited is equally beneficially owned by Keysmart Enterprises Limited and Hunwick International Limited, which are in turn, wholly owned by Ms. Li Kei Ling and Mr. Hung Yung Lai respectively.

Save as disclosed above, Ms. Li does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Ms. Li Kei Ling entered into a service contract with the Company for a term of two years which commenced on 1 July 2003. Ms. Li’s service contract was revised to a term of three years which commenced on 1 July 2005 and will continue thereafter for successive terms of three years. Her appointment is subject to termination by either party giving not less than three months’ written notice. The current annual remuneration including director’s fee, other emoluments and pension scheme contribution, of Ms. Li Kei Ling is HK\$518,400. Ms. Li’s remuneration is determined by the Board with reference to the prevailing market practice, the Company’s remuneration policy, her duties, responsibilities, contribution and her personal interest in the Company’s shareholding.

Save as disclosed above, there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) contained in the Listing Rules.

There are no other matters that need to be brought to the attention of holders of securities of the Company in connection with Ms. Li’s appointment.

**Mr. LEUNG, Hong Man** (梁康民先生), aged 36, is a Non-executive Director of the Company. He joined the Group in November 2005. Mr. Leung is the shareholder and director of Toyo International Investment Ltd., which is one of the Company's substantial shareholders (as required to be disclosed under Part XV of the SFO). Mr. Leung started and has been involved his business career in knitting machinery since 1993. He has over 10 years' experience in sales and management and over 10 years' experience in finance and property investments. In recent years, Mr. Leung has strived to exploit businesses in hi-tech agriculture and arts and cultural industries.

Save as disclosed above, as at the Latest Practicable Date, Mr. Leung (i) does not hold any positions in the Company or its subsidiaries; (ii) did not hold in the last three years other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Pursuant to Part XV of the SFO, as at the Latest Practicable Date, Mr. Leung is interested in the 60,000,000 shares of the Company held by Toyo International Investment Ltd. and 1,756,000 shares of the Company held by Union Link Industrial Limited. Both companies, Toyo International Investment Ltd. and Union Link Industrial Limited, are equally beneficially owned by Mr. Leung and his father, Mr. Leung Yiu Sing.

Save as disclosed above, Mr. Leung does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Leung's appointment commenced on 1 November 2005 and will continue thereafter for successive terms of two years. The appointment is subject to termination by either party giving not less than one month written notice, pursuant to an agreement entered into between Mr. Leung and the Company in the form of an appointment letter. Under the terms of the appointment letter, Mr. Leung is currently entitled to an annual remuneration of HK\$120,000 or such other sum as the Board may from time to time decide and this was determined based on prevailing market practice, his duties and responsibilities with the Company and the remuneration of other directors of the Company at the time the agreement was entered into.

Save as disclosed above, there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) contained in the Listing Rules.

There are no other matters that need to be brought to the attention of holders of securities of the Company in connection with Mr. Leung's appointment.

**Mr. PAN, Xue Tian** (潘學田先生), aged 74, is an Independent Non-executive Director of the Company. He joined the Group in June 2003. He is a member of the Remuneration Committee, the Audit Committee and the Nomination Committee of the Company. Mr. Pan is the vice president of 中國醫院協會 (Chinese Hospital Association). He has extensive experience in drug administration and supervision, medical hygiene and hospital management, and has assumed various senior management positions in the Ministry of Health of the PRC. He graduated from the medicine faculty of 中國大連醫學院 (Dalian Medical University of the PRC).

Save as disclosed above, as at the Latest Practicable Date, Mr. Pan (i) does not hold any positions in the Company or its subsidiaries; (ii) did not hold in the last three years other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Pan does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Pan does not have any interests in shares of the Company within the meaning of Part XV of the SFO.

Mr. Pan has entered into an agreement with the Company in the form of an appointment letter for a term of two years which commenced on 1 July 2003 and will continue thereafter for successive terms of two years. His appointment is subject to termination by either party giving not less than one month's written notice. Under the terms of the appointment letter, Mr. Pan is currently entitled to an annual remuneration of HK\$150,000 or such other sum as the Board may from time to time decide based on prevailing market practice, his duties, responsibilities, contribution to the Company and the remuneration of other Independent Non-executive Directors of the Company at the time the agreement was entered into.

Save as disclosed above, there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) contained in the Listing Rules.

There are no other matters that need to be brought to the attention of holders of securities of the Company in connection with Mr. Pan's appointment.

**Mr. LO Tung Sing, Tony** (勞同聲先生), aged 42, is an Independent Non-executive Director of the Company. Mr. Lo joined the Group in October 2010. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Lo has extensive experience in financial management and business development in Hong Kong and multinational companies. He currently holds the position of the Financial Controller (Betting) at The Hong Kong Jockey Club. Mr. Lo obtained his Bachelor degree in Business Administration from The Chinese University of Hong Kong and Master of Science in Financial Management from The University of London. He is also an associate member of The Hong Kong Institute of Certified Public Accountants and a full member of CPA Australia. He was an independent non-executive director of iMerchants Limited (a company listed on the GEM Board of the Stock Exchange) from 17 September 2007 to 12 March 2008 and Loudong General Nice Resources (China) Holdings Limited (a company listed on the Main Board of the Stock Exchange) from 3 July 2008 to 31 January 2010, respectively.

Save as disclosed above, as at the Latest Practicable Date, Mr. Lo (i) does not hold any positions in the Company or its subsidiaries; (ii) did not hold in the last three years other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the Latest Practicable Date, Mr. Lo does not have any interest in shares of the Company within the meaning of Part XV of the SFO and he does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Lo entered into a letter of appointment with the Company for a term of two years which commenced on 1 October 2010 and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. His appointment may be terminated by either party on not less than one month's written notice. Under the terms of the appointment letter, Mr. Lo is currently entitled to an annual remuneration of HK\$150,000 or such other sum that the Board may from time to time decide which was determined based on prevailing market practice, his duties, responsibilities, contribution to the Company and the remuneration of other independent non-executive directors of the Company at the time the agreement was entered into.

Save as disclosed, there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) contained in the Listing Rules.

There are no other matters that need to be brought to the attention of holders of securities of the Company in connection with Mr. Lo's appointment.

*This Appendix serves as an explanatory statement, as required by Rule 10.06 (1)(b) of the Listing Rules, to provide the requisite information to you to enable you to make an informed decision as to whether to vote for or against the Repurchase Resolution.*

## **SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 797,044,000 Shares. Subject to the passing of the Repurchase Resolution at the AGM and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 79,704,400 Shares during the period which the Repurchase Mandate remains in force.

## **REASONS FOR REPURCHASE**

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders. Whilst it is not possible to anticipate in advance any specific circumstance in which the Directors might think it appropriate to repurchase Shares, they believe that an ability to do so would give the Company additional flexibility that would be beneficial to the Company and the Shareholders as such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

## **FUNDING OF REPURCHASE**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands. Purchases and redemptions may only be effected out of the profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

There may be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts for the year ended 31 December 2010 contained in the 2010 Annual Report) in the event that repurchases of Shares under the Repurchase Mandate were to be carried out in full during the period which the Repurchase Mandate remains in force.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company, which in the opinion of the Directors are from time to time appropriate for the Company.

**SHARE PRICES**

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous 12 months preceding the Latest Practicable Date were as follows:

<b>Month</b>	<b>Price</b>	
	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
March 2010	1.73	1.33
April 2010	2.57	1.65
May 2010	2.44	1.89
June 2010	2.28	1.99
July 2010	2.29	1.81
August 2010	2.48	2.01
September 2010	3.90	2.25
October 2010	3.96	3.35
November 2010	3.59	3.10
December 2010	4.14	3.00
January 2011	3.99	3.22
February 2011	3.52	3.19
March 2011 (up to the Latest Practicable Date)	3.57	2.98

**DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates (as defined in the Listing Rules), have any present intention, in the event that the proposed Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have any present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Company is authorised to make repurchase of its own Shares.

**UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

**TAKEOVER CODE**

If as a result of repurchase(s) of Shares by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeover Code. As a result, a Shareholder or a group of Shareholders acting in concert could, depending on the level of increase of his or their interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, Fortune United Group Limited held 342,072,000 Shares, representing approximately 42.92% of the total issued share capital of the Company. On the assumption that the issued share capital of Company remains at 797,044,000 Shares and based on the shareholding of Fortune United Group Limited above, in the event that the Directors exercise the power to repurchase Shares in full pursuant to the Repurchase Mandate, the shareholding of Fortune United Group Limited in the Company will increase to approximately 47.69% of the issued share capital of the Company. As a result, Fortune United Group Limited (and persons acting in concert with it) will be required to make a mandatory offer under Rule 26 of the Takeover Code absent any waiver to do so being obtained. The Directors have no present intention to exercise the Repurchase Mandate to an extent such that an obligation to make a general offer under the Takeover Code will be triggered.

**SHARE REPURCHASE BY THE COMPANY**

The Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

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## NOTICE OF ANNUAL GENERAL MEETING

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### **DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED**

**東瑞製藥(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2348)**

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Dawnrays Pharmaceutical (Holdings) Limited (“the Company”) will be held at Plaza 3, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 6 May 2011 at 10:00 a.m. for the following purposes:

#### **AS ORDINARY BUSINESS**

1. To receive and consider the audited consolidated financial statements and the reports of the directors and the auditors for the financial year ended 31 December 2010.
2. To declare a final dividend.
3. To:
  - (I) re-elect Ms. Li Kei Ling as an executive director of the Company;
  - (II) re-elect Mr. Leung Hong Man as a non-executive director of the Company;
  - (III) re-elect Mr. Pan Xue Tian as an independent non-executive director of the Company;
  - (IV) re-elect Mr. Lo Tung Sing, Tony as an independent non-executive director of the Company;
  - (V) authorise the board of directors of the Company (the “Board”) to fix the remuneration of the directors.
4. To re-appoint auditors and to authorise the Board to fix their remuneration.

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## NOTICE OF ANNUAL GENERAL MEETING

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### AS SPECIAL BUSINESS

To consider and, if thought fit, pass with or without amendments the following resolutions as **Ordinary Resolutions** of the Company:

5. **“THAT**

- (i) subject to paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options (including bonds, warrants and debentures convertible into shares of the Company) and rights of exchange or conversion which might require the exercise of such powers, in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this resolution above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements, options (including bonds, warrants and debentures convertible into shares of the Company) and rights of exchange or conversion which would or might require the exercise of such powers or shares to be allotted, issued or dealt with either during or after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval granted in paragraph (i) and (ii) of this resolution above, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined), or (b) the exercise of options under any share option scheme or similar arrangement adopted by the Company, or (c) an issue of shares of the Company as scrip dividend or similar arrangement in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (c) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the Company in general meeting.

“Rights Issue” means an offer of shares or other equity securities of the Company open for a period fixed by the directors of the Company to holders of shares on the register of Members of the Company on a fixed record date in proportion to their holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange, in any territory outside Hong Kong).”

6. **“THAT**

- (i) subject to paragraph (iii) of this resolution below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase or otherwise acquire shares in the capital of the Company on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose and that the exercise by the directors of the Company of all powers of the Company to purchase such securities shall be subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time be is hereby generally and unconditionally approved;
- (ii) the approval in sub-paragraph (i) shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the directors of the Company;
- (iii) the aggregate nominal amount of shares of the Company which are authorised to be purchased or agreed conditionally or unconditionally to be purchased pursuant to the approval in paragraph (i) of this resolution above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

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## NOTICE OF ANNUAL GENERAL MEETING

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(iv) for the purpose of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out for this resolution is revoked or varied by an ordinary resolution of the Company in general meeting.”

7. **“THAT**

conditional upon the passing of the resolutions set out in paragraphs 5 and 6 of the notice convening this meeting, the aggregate nominal amount of shares in the capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted pursuant to the resolution set out in paragraph 5 of the notice convening this meeting be and is hereby extended by the addition thereto of up to an amount representing the aggregate nominal amount of shares of the Company purchased or otherwise acquired by the Company pursuant to the authority granted to the directors of the Company under the resolution set out in paragraph 6 above of the notice convening this meeting.”

8. **“THAT**

subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, such number of shares of the Company which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the share option scheme adopted by the Company on 21 June 2003 (“Scheme”), representing 10% of the issued share capital of the Company as at the date on which this resolution is passed, pursuant to clause 4(B) of the Scheme:

- (a) approval be and is hereby granted for refreshing the 10% mandate under the Scheme (“Refreshed Scheme Mandate”) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Scheme and any other share option schemes of the Company and its subsidiaries under the Refreshed Scheme Mandate shall not exceed 10% of the total number of issued shares of the Company as at the date on which this resolution is passed (options previously granted under the Scheme (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate); and

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the directors of the Company or a duly authorized committee thereof be and are hereby authorized: i) at their absolute discretion, to grant options to subscribe for shares of the Company within the Refreshed Scheme Mandate in accordance with the rules of the Scheme, and ii) to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the Scheme within the Refreshed Scheme Mandate.”

By Order of the Board  
**Li Kei Ling**  
Chairman

Hong Kong, 31 March 2011

*Notes:*

- (a) The register of Members of the Company will be closed from Wednesday, 4 May 2011 to Friday, 6 May 2011 (both days inclusive), during which period no transfer of shares of the Company can be registered.
- (b) All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Tricor Abacus Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 3 May 2011.
- (c) Any Member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- (d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (e) To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's principal place of business in Hong Kong at Suites 3212-13, Shell Tower, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote.
- (f) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (g) Further details regarding resolutions set out in paragraphs 3, and 5 to 8 of this notice of the annual general meeting of the Company will be sent to the shareholders of the Company together with this Notice of Annual General Meeting.

*As at the date of this notice, the Board comprises eight Directors, of which four are Executive Directors, namely Ms. Li Kei Ling, Mr. Hung Yung Lai, Mr. Li Tung Ming and Mr. Gao Yi; one is Non-executive Director, Mr. Leung Hong Man; three are Independent Non-executive Directors, namely Mr. Pan Xue Tian, Mr. Choi Tat Ying Jacky and Mr. Lo Tung Sing Tony.*