



東瑞製葯(控股)有限公司

Dawnrays Pharmaceutical (Holdings) Limited

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

2011 Interim Results

Hong Kong, 22 August 2011





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Results Highlights

Ms. Li Kei Ling

*Executive Director &
Chairman*





Financial Highlights

For the six months ended 30 June Unaudited	FY 2011 RMB '000	FY 2010 RMB '000	Change %
Revenue	601,572	626,357	↓ 4.0
Gross Profit	199,458	199,736	↓ 0.1
Profit Before Tax	111,558	107,786	↑ 3.5
Profit for the Period Attributable to Owners of the Parent	90,056	87,500	↑ 2.9
Earnings Per Share– Basic (RMB)	0.1129	0.1106	↑ 2.1
Interim Dividend Per Share (HK\$)	0.02	0.02	0.0



Interim Dividend

The Board has resolved to declare an interim dividend of **HK\$ 0.02** per share (2010 interim: **HK\$ 0.02** per share) for the year ending 31 December 2011, approximately amounting to a total sum of **HK\$ 15,966,000** (approximately equivalent to **RMB 13,278,000**).



Overview of the First Half of 2011

2011 is an important year for the healthcare reform in China

- The central and local governments have been establishing universal healthcare system and implementing related policies and measures
- Of which the policies and measures of the government in the first half of 2011 causing market turbulence exerted pressure on pharmaceutical firms in China
- The Group adhered to its conservative operational strategies so that it can flexibly adapt to market changes, make adjustment on its strategies and maintain the overall profit growth of the Group
- The Group expect that subsequent to the turbulence caused by policies and measures of the government, the market will resume normal state. Afterwards, the operational environment of the industry will become relatively stable

2011 marks the commencement of the “12th Five-year” plan

- The pharmaceutical market in China will turn into the hub for medicine consumption, production, clinical research and innovation
- The level and quality of medicine production in China will keep raising. The importance of China in the world pharmaceutical industry will be paid more and more attention
- Thanks to the Group’s insight into the development direction of pharmaceutical market in China and identification capabilities for types of medicine in demand, it made several investments in the past few years, which guarantees the ability of the Group to develop in the new market environment in the future



Prospects

The pharmaceutical industry in China is supported by the national “12th five-year” plan. The government has issued a number of documents about the direction of operation, reform and consolidation for the pharmaceutical industry in China. The highlight of the plan is to promote development of and upgrade the pharmaceutical industry in China so that the industry not only provides better services for the citizens, but is also able to compete in international market

Hence, under the aforesaid circumstances, the Group has to adhere to three important points that it had raised before:

1

Continuously improving innovation capability, conducting scientific research projects up to the cutting edge international standard and establishing a quality assurance system in line with the international GMP standard

2

Strengthening co-operation with overseas well-established pharmaceutical firms in various aspects; improving communication between local and overseas pharmaceutical professional associations and expanding the product and market knowledge platform

3

Making innovation in the country to optimize the sales structure and strategy of the major products



Business Review

Mr. Gao Yi

*Executive Director &
Chief Executive officer*





Business Review

The specific medicine products continue to maintain its strong sales momentum

There was certain impact on the sales of the Group's cephalosporin powder for injection

Sales of intermediates and bulk medicine decreased by approximately 14.6% compared to the same period last year

The new GMP for pharmaceutical production in China (中國新版藥品生產質量管理規範) was effective

- In line with the requirements of a series of policies, the Group has been restructuring its product mix since 2004. After years of dedication, its “An” series, a product line for treating cardiovascular hypertension diseases, has established brand recognition and won loyalty from customers
- Sales of medicine for treating hepatitis B and anti-allergy products also showed year-on-year growth
- However, for the Chinese pharmaceutical market in the first half of 2011, the tendering practice in Anhui being implemented in different regions across the country as well as the introduction of “2011 rectification program for national clinical application of antibacterial medicine (《2011年全國抗菌藥物臨床應用專項整治活動方案》)” by the Ministry of Health has posed certain impact on the sales of the Group's cephalosporin powder for injection
- Arbitrary investments and massive production had resulted in an oversupply of the upstream raw material “7-ACA” in the market
- Substantial reduction in the price of “7-ACA” during the first half of the year, resulted in the consequential fall in the selling price of the Group's cephalosporin bulk medicine
- Currently, SFDA is still in the process of training inspectors and preparing implementation. Hence, the new bulk medicine workshop completed in January this year is yet to commence production in the absence of GMP-compliant final acceptance, while depreciation costs have been recognized for the first half of the year



Business Review *(Cont'd)*

“Guiding Opinions on Accelerating the Structural Adjustment in the Pharmaceutical Industry”
(《關於加快醫藥行業結構調整的指導意見》)

- Jointly issued by the Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化部), the Ministry of Health (衛生部) and the State Food and Drug Administration on (國家食品藥品監督管理局) 9 Oct 2010
- Under the general principle of deepening the reform of the medical and health system by way of structural adjustment
- Self-innovation is to be strengthened, R&D of new products and new technology promoted, amalgamation and reorganization encouraged, larger enterprises nurtured, technological upgrading accelerated, as well as corporate quality and international competitiveness enhanced

The “12th Five-year Development Plan of the Pharmaceutical Industry”

- The state has recently promulgated the “12th Five-Year Development Plan of the Pharmaceutical Industry” (《醫藥工業「十二五」發展規劃》), which further establishes the guiding thoughts, basic principles and development targets for the pharmaceutical industry in the next five years

In line with development of the State’s pharmaceutical reforms

- The Group has been accelerating its R & D in the area of system specific medicine and managed to achieve a breakthrough in that field

Under the unexpectedly severe market conditions for cephalosporin antibiotics, coupled with other adverse external factors

- The Group focused on increasing the production and sales of system specific medicine
- “Anneizhen” (安內真) has won the bid for launch to several provinces as a provincial additional basic medicine, maintaining a growth rate of over 40%
- “Leiyide” (雷易得) (Entecavir Dispersible Tablets) has also won the bid for launch to some provinces and regions and recorded sales of more than RMB 20 million in the first half of the year, meeting its sales target for this stage



Production & Sales Operation

For the six months
ended 30 June
Unaudited

Domestic Sales :

For the six months ended 30 June	Production Volume		Sales Volume	
Intermediates & Bulk Medicines	↓	11.4%	↓	19.6%
Powder for Injections	↓	3.6%	↓	17.3%
Solid-dosage-forms <i>(most are system specific medicines)</i>	↑	41.0%	↑	23.4%

Export Sales :

For the six months ended 30 June	FY 2011 RMB '000	FY 2010 RMB '000	Change	
Sales	128,052	95,555	↑	34.0%
As Percentage of Turnover	21.3%	15.3%	↑	6.0%



New Product Development

During the first half of 2011, new products of the Group :

Approved for launch : 2 products

- **Cefprozil Tablets**
(頭孢丙烯片)

- **Levamlodipine Besylate Tablets**
(苯磺酸左旋氨氯地平片)

Currently new products being applied for R & D : 14 products

- **11 pending approval for production**
- **3 under clinical trials**

Pre-clinical studies are being conducted : 4 products



Honourable Recognition

Honourable Recognition during first half of 2010 :

1

The ergot-type drugs for treating cardio-cerebrovascular diseases have been granted patents by the State Intellectual Property Office of the P.R. China

2

“Innovative Enterprise of Jiangsu Province”

3

“ Suzhou Dawnrays Pharmaceutical Engineering Research Centre for Cephalosporin Antibiotics and Cardiovascular Drugs”

4

“Nantong Research Centre for Engineering and Technology”





Expansion Plans

Construction projects of additional production facilities in the first half of 2011 included :

Suzhou Dawnrays Pharmaceutical Co., Ltd.

- **Trial production has commenced at the bulk medicines workshop and ancillary facilities at Phase I of Hedong Industrial Park**
- **Construction of the workshop with a production capacity up to 2 billion capsules/tablets of system specific medicines has largely been completed and installation of equipment is under way**

Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd.

- **Phase II of the construction project has been progressing as planned**
- **Government approval has been obtained in respect of the feasibility studies for Phase III and relevant formalities such as environment assessment are expected to follow**



Outlook

Notwithstanding the circumstance of production costs under the pressure of the ever-rising cost of materials, operating costs under the pressure of stricter environment regulations, financial costs under the pressure of tightened monetary policies and management costs under the pressure of growing labour costs, Dawnrays has enough confidence and ability to take on the new challenges arising in the market. For the latter half of the year :

As regards cephalosporins

- Step up the efforts in the production and sales of cephalosporin products in oral form

As regards system specific medicines

- Strive to capture a larger market share for its “An” series products
- Eyeing the overseas markets, global distribution of “Leiyide” (雷易得) (Entecavir Dispersible Tablets), a system specific medicine for treating hepatitis, is being planned in an orderly fashion
- Speed up the construction process of the production facilities for system specific medicines so as to relieve the overload on the production as early as possible

Financial Review

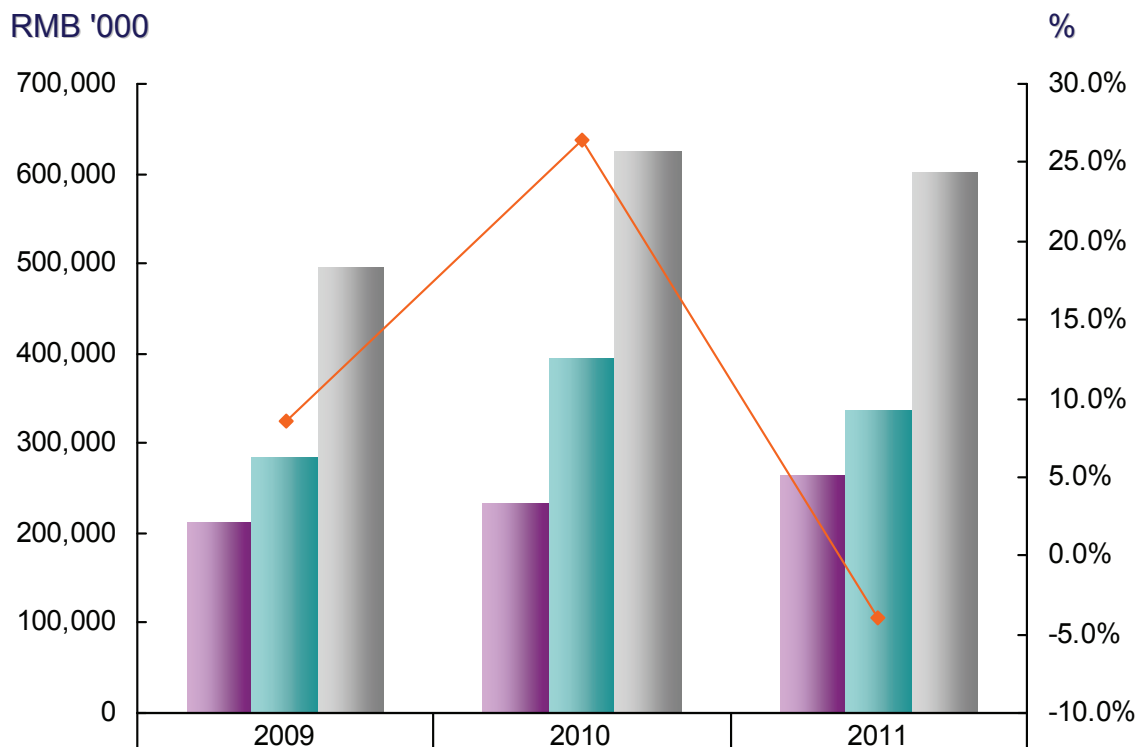
Ms. Wu Jihong
Financial Controller





Turnover

For the six months
ended 30 June
Unaudited



Finished Drugs	210,637	232,958	265,592
Intermediates & Bulk Medicines	284,913	393,399	335,980
Turnover	495,550	626,357	601,572
% Change in Turnover	8.60%	26.40%	-4.00%



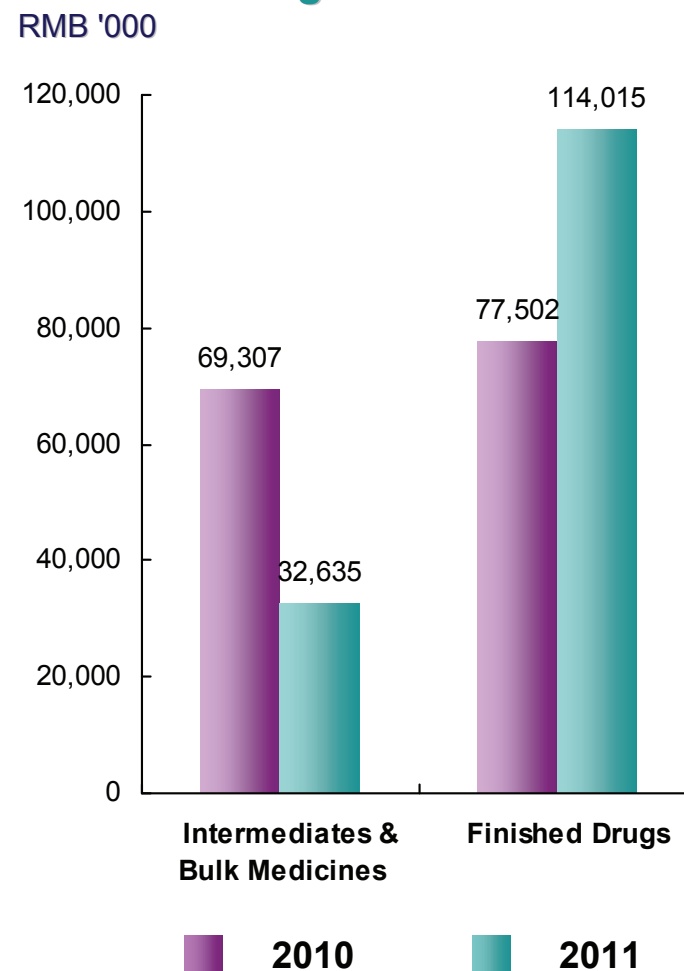
Business Segment Results

For the six months
ended 30 June
Unaudited

Segment Margins	FY 2011	FY 2010
Intermediates & Bulk Medicines	8.1%	14.9%
Finished Drugs	42.9%	33.3%

Segment Results Breakdown	FY 2011	FY 2010
Intermediates & Bulk Medicines	22.3%	47.2%
Finished Drugs	77.7%	52.8%

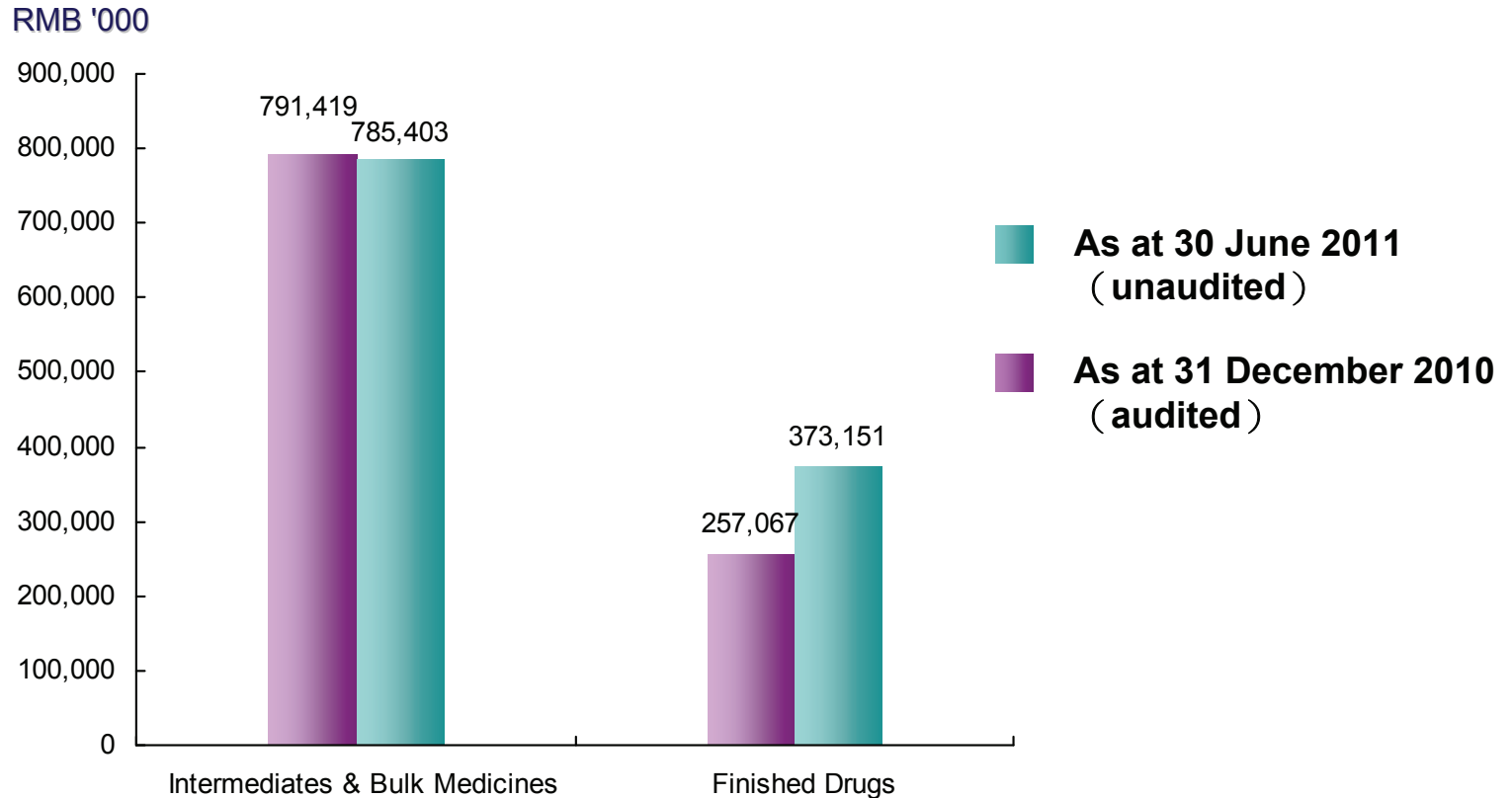
Segment Results





Segment Assets

For the six months
ended 30 June
Unaudited

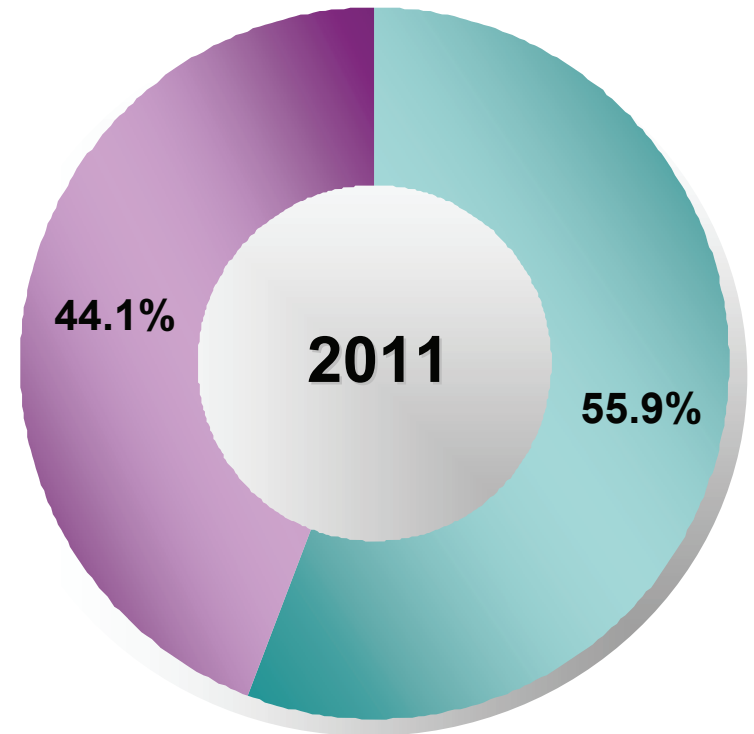
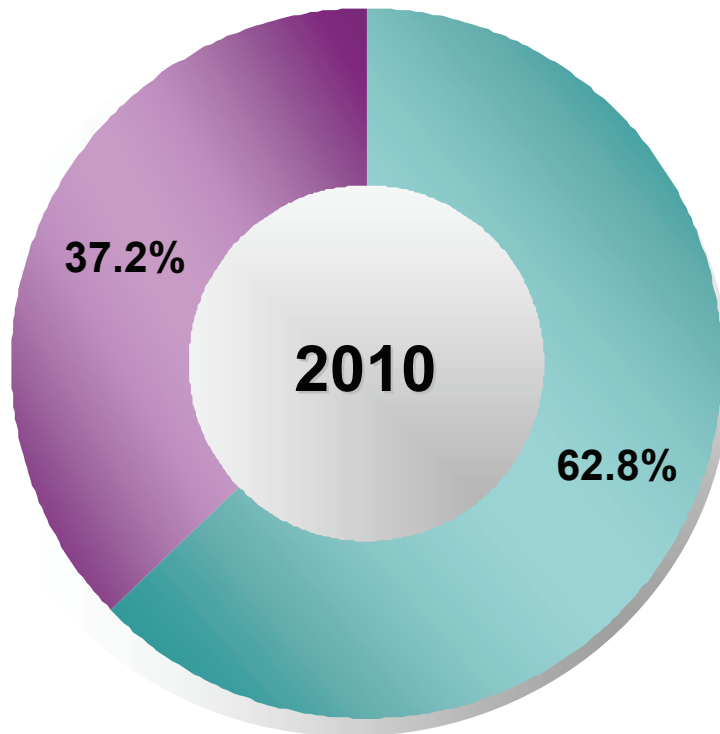


Construction Segment assets exclude deferred tax assets, pledged bank deposits, restricted bank deposits, cash and cash equivalents, equity investments at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis



Sales Breakdown

For the six months
ended 30 June
Unaudited

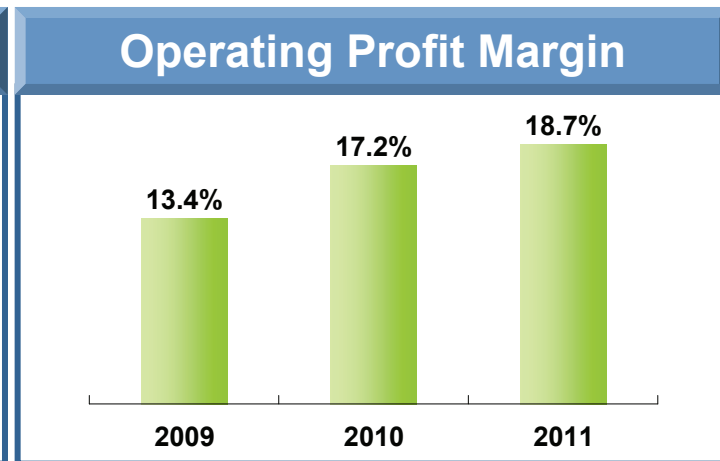
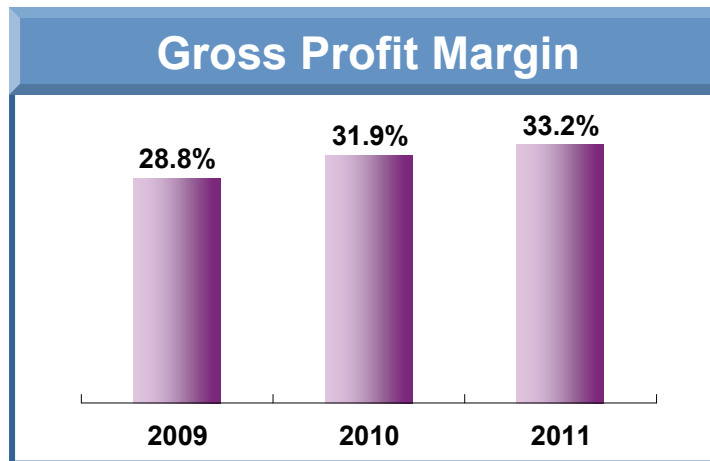
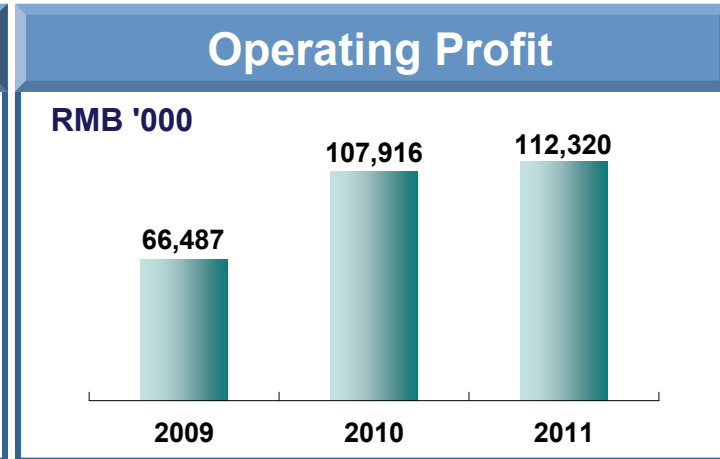
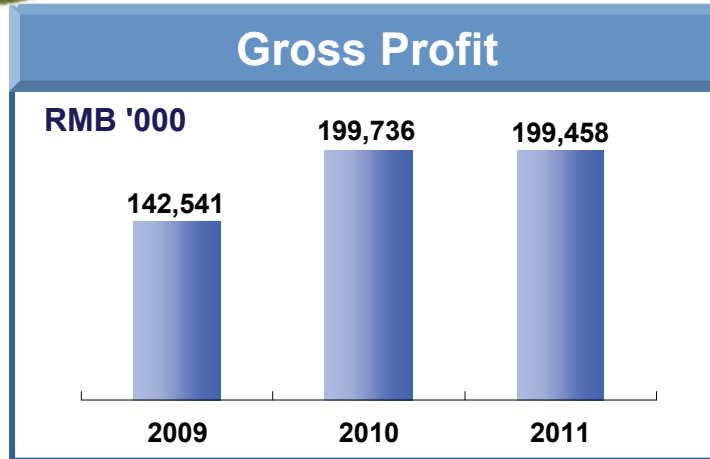


- Intermediates & Bulk Medicines
- Finished Drugs



Gross Profit & Operating Profit

For the six months
ended 30 June
Unaudited





Income Statement

For the six months ended 30 June Unaudited	FY 2011 RMB '000	FY 2010 RMB '000	FY 2009 RMB '000
Turnover	601,572	626,357	495,550
Gross Profit	199,458	199,736	142,541
Net Profit	90,056	87,498	51,077
Margin			
Gross Profit Margin	33.2%	31.9%	28.8%
Net Profit Margin	15.0%	14.0%	10.3%
EPS & Dividends			
EPS (Basic) (RMB)	0.1129	0.1106	0.0656
EPS (Diluted) (RMB)	0.1124	0.1098	0.0654
Interim Dividend Per Share (HK\$)	0.02	0.020	0.018



Statement of Financial Position

	30 June FY 2011 RMB '000	31 December FY 2010 RMB '000	31 December FY 2009 RMB '000
Assets & Liabilities	Unaudited	Audited	Audited
Non-current Assets	496,768	449,045	400,238
Current Assets	1,023,129	964,112	726,227
Total Assets	1,519,897	1,413,157	1,126,465
Current Liabilities	631,742	564,526	403,981
Equity			
Equity Attributable to Owners of the Parent	874,290	834,954	711,289
Equity Per Share (RMB)	1.10	1.05	0.90
Aggregated Bank Facilities	876,823	827,012	700,568



Key Financial Ratios

	30 June FY 2011	31 December FY 2010	31 December FY 2009
	Unaudited	Audited	Audited
Current Ratio	1.62	1.71	1.80
Turnover Days for Trade and Notes Receivables (day)	149	133	137
Turnover Days for Inventory (day)	95	73	82
Debt Ratio <i>(defined as sum of bank advances for discounted bills plus interest-bearing bank loans over total assets)</i>	9.3%	3.6%	0.9%
Debt to Assets Ratio <i>(defined as total liabilities over total assets)</i>	42.5%	40.9%	36.8%
Return on Equity (ROE) <i>(defined as the profit attributable to owners of the parent for the year divided by net assets attributable to owners of the parent)</i>	10.3%	20.0%	16.6%
Return on Assets (ROA)	5.9%	11.8%	10.5%





Liquidity

For the six months ended 30 June

Unaudited

	FY 2011	FY 2010	FY 2009
	RMB '000	RMB '000	RMB '000
Net Cash Flows from Operating Activities	17,420	132,169	64,780
Net Cash Flows used in Investing Activities	(61,625)	(63,354)	(20,273)
Net Cash Flows used in Financing Activities	(53,115)	2,749	(25,751)
Net Increase / (Decrease) in Cash & Cash Equivalents	(97,320)	71,564	18,756



Capital Commitments

	30 June FY 2011 RMB '000	31 December FY 2010 RMB '000	31 December FY 2009 RMB '000
	Unaudited	Audited	Audited
Capital Commitments	230,702	273,680	154,410

Capital Commitments mainly derived from :

Suzhou Dawnrays Pharmaceutical Co., Ltd.



- The construction of new workshops for non-cephalosporin bulk medicines and solid-dosage-forms preparation in Hedong Industrial Park

Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd.



- The phase II of plant construction

Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd.



- The construction works for oral cephalosporin intermediates workshop



Sufficient Financial Resources

Cash and cash equivalents as at 30 June 2011

- RMB 112,316,000

As at 30 June 2011, notes receivables with ages within 6 months

- RMB 279,971,000



The Group has sufficient financial and internal resources to fund the capital expenditures

Q & A Session





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Thank you

