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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

Unaudited	For the six months ended 30 June		
	2014	2013	Change
Revenue (RMB'000)	**409,884**	446,911	-8.3%
Gross Profit (RMB'000)	**235,323**	188,304	+25.0%
Gross Profit Margin	**57.4%**	42.1%	+15.3 percentage points
Profit before tax (RMB '000)	**130,094**	97,896	+32.9%
Profit for the period attributable to owners of the parent (RMB'000)	**101,784**	78,223	+30.1%
Net Profit Margin	**24.8%**	17.5%	+7.3 percentage points
Earnings per share-basic (RMB)	**0.1266**	0.0976	+29.7%
Interim dividend per share (HK$)	**0.025**	0.020	+25.0%

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the "Board") of directors (the "Directors") of Dawnrays Pharmaceutical (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 (the "period"). These interim results have been reviewed by the audit committee of the Company.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.025 per share for the year ending 31 December 2014, approximately amounting to a total sum of HK$20,154,000 (approximately equivalent to RMB16,002,000).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	*RMB'000*
REVENUE	3	**409,884**	446,911
Cost of sales		**(174,561)**	(258,607)
Gross profit		**235,323**	188,304
Other income and gains	3	**8,836**	8,181
Selling and distribution expenses		**(55,242)**	(54,627)
Administrative expenses		**(28,828)**	(27,742)
Other expenses		**(28,336)**	(14,355)
Finance costs	4	**(1,659)**	(1,865)
PROFIT BEFORE TAX	5	**130,094**	97,896
Income tax expense	6	**(28,310)**	(19,673)
PROFIT FOR THE PERIOD		**101,784**	78,223
Attributable to:			
Owners of the parent		**101,784**	78,223
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– basic, for profit for the period		**RMB0.1266**	RMB0.0976
– diluted, for profit for the period		**RMB0.1262**	RMB0.0975

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**101,784**	78,223
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences	**(2,093)**	1,304
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD, NET OF TAX	**(2,093)**	1,304
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**99,691**	79,527
Attributable to:		
Owners of the parent	**99,691**	79,527

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**507,020**	536,832
Land use rights		**42,775**	43,298
Construction in progress		**130,244**	102,232
Intangible assets		**21,998**	16,758
Deferred tax assets		**3,814**	2,843
Total non-current assets		**705,851**	701,963
CURRENT ASSETS			
Inventories	9	**108,420**	155,887
Trade and notes receivables	10	**256,186**	381,203
Prepayments, deposits and other receivables		**13,195**	13,307
Equity investments at fair value through profit or loss		**5,984**	5,896
Pledged bank deposits		**229,710**	257,121
Cash and cash equivalents		**349,413**	205,771
Total current assets		**962,908**	1,019,185
CURRENT LIABILITIES			
Trade and notes payables	11	**146,421**	245,139
Other payables and accruals		**87,909**	95,859
Interest-bearing bank loans		**233,772**	248,176
Income tax payable		**11,106**	7,177
Total current liabilities		**479,208**	596,351
Net current assets		**483,700**	422,834
Total assets less current liabilities		**1,189,551**	1,124,797
NON-CURRENT LIABILITIES			
Government grants		**3,884**	3,884
Deferred tax liabilities		**29,484**	29,176
Total non-current liabilities		**33,368**	33,060
Net assets		**1,156,183**	1,091,737

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued*)

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**85,274**	84,973
Reserves		**1,070,909**	963,399
Proposed final dividend		**-**	43,365
Total equity		**1,156,183**	1,091,737

NOTES:

1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

1.1 Corporate Information

Dawnrays Pharmaceutical (Holdings) Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 20 September 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is Units 3001-02,30/F, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

The Group is principally engaged in the development, manufacture and sale of non-patented pharmaceutical medicines including intermediate pharmaceutical, bulk medicines and finished drugs. In the opinion of the Directors, Fortune United Group Limited, a company incorporated in the British Virgin Islands, is the ultimate holding company of the Company.

The shares of the Company were listed on the Main Board of the Stock Exchange on 11 July 2003.

1.2 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2014 (collectively defined as the "interim financial information") have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and applicable disclosure provisions of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements have not been audited. These interim condensed consolidated financial statements were approved and authorized for issue by the Board on 15 August 2014.

The preparation of the interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial information does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2013.

1.3 Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (*continued)*

1.3 Significant Accounting Policies (*continued)*

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014.

IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) *– Investment Entities*
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*

The adoption of these new and revised IFRSs had no significant financial effect on these financial statements.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on or after 1 January 2014 and have not been early adopted:

IFRS 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IFRS 11 Amendments	Amendments to IFRS 11 - *Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[2]
IFRS 15	*Revenue from Contracts with Customers*[3]
IAS 16 and IAS18 Amendments	Amendments to IAS 16 and IAS 18 - *Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
IAS 19 Amendments	Amendments to IAS 19 Employee Benefits – *Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in December 2013[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued in December 2013[1]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and has two reportable segments as follows:

a) Manufacture and sale of intermediates and bulk medicines (the "intermediates and bulk medicines" segment)

b) Manufacture and sale of finished drugs (including antibiotics finished drugs and non-antibiotics finished drugs) (the "finished drugs" segment)

Management monitors the operating results of these operating segments for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, government grants, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following is an analysis of the Group's revenue and results by operating segment for the period:

Six months ended 30 June 2014 (unaudited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Elimination of intersegment sales RMB'000	Total RMB'000
Segment Revenue:				
Sales to external customers	100,925	308,959	-	409,884
Intersegment sales	18,334	-	(18,334)	-
	119,259	308,959	(18,334)	409,884
Segment Results	(17,929)	185,187	-	167,258
Reconciliation:				
Unallocated gains				8,213
Corporate and other unallocated expenses				(43,718)
Finance costs				(1,659)
Profit before tax				130,094

2. SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2013 (unaudited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Elimination of intersegment sales RMB'000	Total RMB'000
Segment Revenue:				
Sales to external customers	187,228	259,683	-	446,911
Intersegment sales	34,752	-	(34,752)	-
	221,980	259,683	(34,752)	446,911
Segment Results	(3,214)	133,866	-	130,652
Reconciliation:				
Unallocated gains				7,602
Corporate and other unallocated expenses				(38,493)
Finance costs				(1,865)
Profit before tax				97,896

The following is an analysis of the Group's assets by operating segment:

As at 30 June 2014 (unaudited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Total RMB'000
Segment Assets:	439,284	480,189	919,473
Reconciliation:			
Corporate and other unallocated assets			749,286
Total assets			1,668,759

As at 31 December 2013 (audited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Total RMB'000
Segment Assets:	580,223	480,709	1,060,932
Reconciliation:			
Corporate and other unallocated assets			660,216
Total assets			1,721,148

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**409,884**	446,911
Other income		
Bank interest income	**6,473**	4,206
Dividend income from equity investments at fair value through profit or loss	**46**	40
Government grants	**1,553**	1,160
Foreign exchange differences	**-**	1,137
Others	**764**	1,562
	8,836	8,105
Gains		
Gain on disposal of equity investments at fair value through profit or loss	**-**	76
	8,836	8,181

4. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**1,659**	1,865

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold*	**174,561**	258,607
Depreciation	**22,747**	17,467
Recognition of land use rights **	**521**	521
Research and development costs:		
Amortisation of intangible assets ***	**355**	369
Current period expenditure	**12,819**	8,809
	13,174	9,178
Minimum lease payments under operating leases:		
Buildings	**417**	457
Employee benefit expense (including directors' and chief executive officer's remuneration) :		
Wages and salaries	**32,515**	34,325
Retirement benefits	**3,409**	3,559
Accommodation benefits	**1,486**	1,544
Other benefits	**5,640**	5,849
Equity-settled share option expense	**431**	747
	43,481	46,024
Foreign exchange differences, net	**3,207**	(1,137)
Impairment of property, plant and equipment	**1,196**	-
Write-down of inventories to net realisable value	**9,908**	3,927
Fair value losses, net:		
Equity investments at fair value through profit or loss	**382**	554
Bank interest income	**(6,473)**	(4,206)
Loss/(gain) on disposal of items of property, plant and equipment	**326**	(376)
Gain on disposal of equity investments at fair value through profit or loss	**-**	(76)

* The depreciation of RMB17,751,000 for the period is included in "Cost of inventories sold".

** The recognition of land use rights for the period is included in "Administrative expenses" on the face of the condensed consolidated statement of profit or loss.

*** The amortisation of intangible assets for the period is included in "Other expenses" on the face of the condensed consolidated statement of profit or loss.

6. INCOME TAX

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax		
Current income tax charge	**22,746**	15,662
Adjustments in respect of current income tax in previous years	**1,030**	77
Deferred income tax	**4,534**	3,934
Total tax charge for the period	**28,310**	19,673

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period. Taxation for the subsidiaries in Mainland China is calculated on the estimated assessable profits for the period at the rates of tax prevailing in the locations in which the Group's subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

7. DIVIDENDS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Dividend pertaining to the prior year declared in the six months ended 30 June	**43,412**	35,465
Interim – HK$0.025(2013: HK$0.020) per ordinary share	**16,002**	12,658

On 15 August 2014, the Company declared an interim dividend for the year ending 31 December 2014, at HK$0.025 per share, amounting to a total sum of approximately HK$20,154,000 (approximately equivalent to RMB16,002,000).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit for the period attributable to ordinary equity holders of the parent of RMB101,784,000 (2013: RMB78,223,000) and the weighted average number of 804,204,696 ordinary shares (2013: 801,807,713 ordinary shares) in issue during the period.

The calculation of diluted earnings per share for the period is based on the profit for the period attributable to ordinary equity holders of the parent of RMB101,784,000 (2013: RMB78,223,000) and the weighted average number of 806,746,491 ordinary shares (2013: 802,383,394 ordinary shares) in issue during the period after adjusting for the effect of dilutive options.

9. INVENTORIES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) *RMB'000*
At cost or net realisable value:		
Raw materials	**24,824**	30,945
Work in progress	**34,350**	76,032
Finished goods	**49,246**	48,910
	108,420	155,887

10. TRADE AND NOTES RECEIVABLES

An aged analysis of the trade receivables and notes receivable as at 30 June 2014, net of provisions, is as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) *RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	**78,952**	102,845
Between 91 and 180 days	**13,304**	29,404
Between 181 and 270 days	**10,818**	2,146
Between 271 and 360 days	**1,003**	-
Over one year	**78**	80
	104,155	134,475
Notes receivable	**152,031**	246,728
	256,186	381,203

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within one month of issue, except for major customers, where the terms are extended to three months.

11. TRADE AND NOTES PAYABLES

An aged analysis of the trade payables and notes payable as at 30 June 2014 is as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) *RMB'000*
Outstanding balances with ages:		
Within 90 days	**115,418**	155,385
Between 91 and 180 days	**28,319**	87,380
Between 181 and 270 days	**568**	1,425
Between 271 and 360 days	**626**	132
Over one year	**1,490**	817
	146,421	245,139

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and notes payables approximate to their fair values.

CHAIRMAN'S STATEMENT

RESULTS

The Group has recorded revenue of approximately RMB409,884,000 for the six months ended 30 June 2014 (2013: RMB446,911,000), representing a decrease of 8.3% as compared to the same period of 2013. Profit attributable to owners of the parent was approximately RMB101,784,000 (2013: RMB78,223,000), representing an increase of 30.1% over the same period of 2013. The increase in profit was mainly because sales of the Group's system specific medicines recorded more satisfactory growth than that for the same period of 2013.

REVIEW AND PROSPECT

In the first half of 2014, as affected by the pressure from the restructuring and reform of China's economy, the economic fundamentals remained favourable despite the slowed overall operating activities. In comparison with other industries, the medical and pharmaceutical industry that closely connects with social benefits maintained its growth momentum under the guidance of governmental policies. However, as the overall base of the industry has been shifted upward significantly for years after the implementation of medical and pharmaceutical reform, and the pharmaceuticals purchase through bidding process in part of provinces and cities has not yet comprehensively carried out, the overall income and profits of China's pharmaceuticals industry showed signs of slowed year-on-year growth during the period.

Under the dual pressures of intense market competition and internal adjustment of the enterprise, the Group concentrated various resources and endeavored to implement the business expansion plan of each system specific medicine during the period, so as to break through the market bottleneck and to comprehensively achieve the sales target of each product. In particular, like anti-hypertensive drug in "An" (安) series of medicines which maintained good sales performance, the sales of "Leiyide" (雷易得) (Entecavir Dispersible tablets) for anti-hepatitis B virus also recorded more satisfactory growth.

In terms of the business of cephalosporin antibiotics, the national overall production capacity in excess of the actual demand has still led to fierce competition among enterprises. Relatively speaking, those enterprises with superior product quality, prominent brand advantages and sufficient financial resources could maintain their capacity of continuous operation amid the existing market environment. During the period, as there were delays in the construction of workshops and the progress of the new version of GMP adaptive reformation for the Group's cephalosporin antibiotics, the overall production capacity and efficiency of products in this series were affected to a certain extent, resulting in income of the Group from sales of cephalosporin antibiotics products reduced as compared to that for the same period of last year. The Group expects that when the new GMP certification for all cephalosporin antibiotic workshops completed, production and sales of the series of products will be back to normal repaidly. As a result of foregoing, in the first half of 2014, products in each series of our system specific medicines have been serving as an important support for the Group to maintain profitable.

From the perspective of the proportion of the pharmaceutical manufacturing industry of gross domestic products (GDP), there is still enormous room for the development of the medical and pharmaceutical market in China. The Group expects that in the second half of 2014, under the premise of solid macro-economy and supported by favorable social factors and governmental policies, the levels of overall revenue and profits of the pharmaceutical manufacturing industry in China will keep sound growth momentum. The Group will continue to receive its prudent and pragmatic business practice, stringently perform planning, implementation and supervision on the corporate management, product research and development, technological optimization, sales construction, personnel training and other aspects in order to improve the operating quality and capital utilization efficiency to their full potential, so as to build a stronger foundation for the sustainable development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2014, as affected by the domestic macro-economy, the growth rate of the pharmaceutical sector slowed down. According to statistics, from January to April of 2014, increase in revenue and total profits from the principal operations of the pharmaceutical manufacturing industry was lower as compared to that of the same period of last year. Against this backdrop, the Group faced difficulties and made breakthroughs in results as compared to those of the interim periods over the years. In the first half of 2014, the Group focused on developing its specific medicine product groups with cardiovascular drugs and anti-HBV drugs as dominants, cemented and expanded the market share of system specific medicines, and carried out academic promotion for newly-launched product. Meanwhile, the Group also accelerated the research and development process of new products, adjusted and optimized the production scale and varieties of antibiotic products, and continued to develop their business in a precise and superior way. The production process of existing products was optimized and the product quality was enhanced. The Group increased sales volume by developing the domestic and also the international markets. The new GMP certification advanced well to ensure that our core competitiveness would improve constantly.

PRODUCTION AND SALES

For the six months ended 30 June 2014, the Group's production and sales volume of bulk medicines decreased by 55.0% and 54.2% respectively, in comparison to the corresponding period of last year; the production and sales volume of the powder for injection decreased by 92.8% and 31.2% respectively over the same period of last year. The decrease in production and sales volume was mainly due to the insufficient production capacity arose from the reformation of workshops that was required by the new GMP and also the restructuring of product mix, which will be changed after the new workshops are to be put into production in the second half of the year; the production and sales volume of the solid-dosage-forms increased by 45.1% and 25.4% respectively over the corresponding period of last year. In terms of sales of specific medicines, the Group strengthened academic promotion and developed untapped markets while maintaining its original market share, continued to facilitate doctor-patient education for newly-launched product, and built its unique marketing model. In particular, the production and sales volume of "An" (安) series of varieties increased by 64.3%

and 32.9% respectively over the same period of last year, while the production and sales volume of “Leiyide” (雷易得) (Entecavir Dispersible tablets) increased by 103.4% and 62.5% respectively over the same period of last year. As for the international business, the Group kept expanding its overseas markets and proactively sought international business, which impelled significantly the internationalization process of the Group.

NEW PRODUCTS AND PATENT LICENSING

In the first half of 2014, a total of thirteen declarations for registration were filed with the State and/or Provincial Food and Drug Administration; fourteen supplemental production permits were obtained.

Authorization for one invention patent was obtained:
On 21 May 2014, “A pharmaceutical composition containing telmisartan and amlodipine and the preparation method thereof” was granted authorization with the authorization number of ZL 201110135473.9.

HONORS AWARDED IN THE FIRST HALF OF 2014

In February 2014, Entecavir Dispersible Tablet under the brand of “Leiyide” was credited by Suzhou Municipal Famous Brands Accreditation Committee(蘇州市名牌產品認定委員會) as Suzhou’s famous-brand product.

In February 2014, the Jiangsu (Dawnrays) Engineering Research Centre for Anti-hypertensive and Antibiotic Medicines (江蘇省(東瑞)抗高血壓及抗生素類藥物工程技術研究中心) was recognized by the Joint Meeting for Promoting the Construction of the Research and Development Institutions of Enterprises in Jiangsu Province (江蘇省推進企業研發機構建設工作聯席會議) as a key research and development institution of enterprise in Jiangsu Province.

CONSTRUCTION PROJECT OF PRODUCTION FACILITIES

The new GMP certification of the preparation workshops and the bulk medicines workshops of Suzhou Dawnrays Pharmaceutical Co., Ltd. in Hedong Industrial Park was completed. The powder for injection workshops of Suzhou Dawnrays Pharmaceutical Co., Ltd. obtained the certificate of new GMP, and other relevant workshop reformation adapted to the new GMP is almost finalized.

OUTLOOK

In the second half of the year, the relevant workshop reformation of the Group adapted to the new GMP will be accelerated as scheduled to ensure that all antibiotics and bulk medicines workshops will pass the new GMP certification by the end of the year, which will enhance and regulate the production management, and optimize the process technological level so as to offer high-quality products to the markets. The Group will continue to consolidate and expand its sales team, perfect the multi-level sales network of its system specific medicines, strengthen its overall competitiveness, optimize human resources, solidify the management of enterprise and carry forward enterprise culture in order to cement the base for the Group to develop on a sustainable basis.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the six months ended 30 June 2014, the Group recorded a turnover of approximately RMB409,884,000, representing a decrease of RMB37,027,000, or 8.3%, compared with the corresponding period of last year. The decreased in turnover, was primarily attributable to new GMP adaptive renovation in the first half of 2014 that caused substantial deduction in the production and sales of cephalosporin antibiotics bulk medicines and powder for injection. However the continued rapid growth in the sales of system specific medicines offset the decline of revenue from bulk medicines and powder for injection.

During the first half of 2014, sales of system specific medicines increased by approximately RMB65,270,000, representing an increase of 34.6% compared with the corresponding period of last year. Sales of the cephalosporin antibiotics product line decreased by approximately RMB102,690,000, representing a decrease of 40.8% compared with the corresponding period of last year.

Sales amount of finished drugs, comprising system specific medicines, powder for injection and tablets of cephalosporin and other oral solid-dosage-forms of antibiotics, reached approximately RMB308,959,000. Of which, sales amount of the "An" (安) series for treating hypertension accounted for approximately 49.8% of sales of finished drugs which was increased by 3.4 percentage points compared with the corresponding period of last year. Sales amount of "Leiyide" (雷易得) for treating hepatitis B virus accounted for approximately 24.9% of sales of finished drugs which was increased by 7.3 percentage points compared with the corresponding period of last year. Sales amount of "Xikewei" (西可韋) and "Xikexin" (西可新) for treating allergies accounted for approximately 5.4% of sales of finished drugs which was decreased by 1.2 percentage points compared with the corresponding period of last year.

Among the cephalosporin antibiotics product line, sales amount of intermediates and bulk medicines decreased by 46.1% compared with the corresponding period of last year. As for finished drugs, sales amount of cephalosporin powder for injection declined by 33.3% compared with the corresponding period of last year, and sales amount of oral cephalosporin increased by 43.4% compared with the corresponding period of last year.

Export sales amount accounted for approximately 11.8% of the total turnover. The export destinations mainly included more than ten countries and regions such as Switzerland, Hong Kong, South Korea and Russia.

Gross profit was approximately RMB235,323,000 which was increased by RMB47,019,000 compared with the corresponding period of last year. Gross profit margin was 57.4% which was increased by 15.3 percentage points compared with 42.1% as in the corresponding period of last year. The main reason for the increase in gross profit margin was attributable to the further increase in the proportion of sales of system specific medicines in total turnover, which was increased from 42.2% in the corresponding period of last year to 61.9% and so the product portfolio was further optimized.

TABLE OF TURNOVER ANALYSIS

PRODUCT	TURNOVER (RMB'000)			SALES BREAKDOWN (%)		
	For the six months ended 30 June			For the six months ended 30 June		Percentage points
	2014	2013	Changes	**2014**	2013	Changes
Intermediates and Bulk Medicines	**100,925**	187,228	-86,303	**24.6**	41.9	-17.3
Finished Drugs	**308,959**	259,683	49,276	**75.4**	58.1	17.3
Overall	**409,884**	446,911	-37,027	**100.0**	100.0	0.0

EXPENSES

During the period, the total expenses incurred were approximately RMB114,065,000, equivalent to 27.8% of turnover (2013: 22.1%). The total expenses increased by approximately RMB15,476,000 compared with the corresponding period of last year. Of the increased amount, it included increase of expenses from research and development and marketing promotion etc.

SEGMENT PROFIT

For the six months ended 30 June 2014, segment results of intermediates and bulk medicines segment recorded losses of approximately RMB17,929,000 representing an increase of loss of RMB14,715,000 compared with loss of RMB3,214,000 as in the corresponding period of 2013. The segment profit of finished drugs segment was approximately RMB185,187,000, which was increased by approximately RMB51,321,000 when compared with the segment profit of RMB133,866,000 as in the first half of 2013.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the six months ended 30 June 2014, profit attributable to owners of the parent amounted to approximately RMB101,784,000, equivalent to an increase of RMB23,561,000 or 30.1% compared with the corresponding period of last year. Such increase was mainly because additional profits arose from the relatively fast growth in sales of system specific medicines.

ANALYSIS ON THE RETURN ON ASSETS

As at 30 June 2014, net assets attributable to owners of the parent were approximately RMB1,156,183,000. The return on net assets, which is defined as the profit attributable to owners of the parent divided by net assets attributable to owners of the parent, was 8.8% (2013: 7.6%). The current ratio and quick ratio was 2.01 and 1.78 respectively. Turnover days for trade receivables were approximately 52 days. Turnover days for inventory were approximately 136 days.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group held cash and cash equivalents of approximately RMB349,413,000 (as at 31 December 2013: RMB205,771,000). During the period, the net cash flows from operating activities was approximately RMB205,401,000 (2013: RMB103,338,000). Net cash flows used in investing activities was approximately RMB34,597,000 (2013: RMB34,746,000). Net cash flows used in financing activities was approximately RMB30,497,000 (2013: RMB28,598,000).

As at 30 June 2014, the Group had aggregate bank facilities of approximately RMB892,375,000 (as at 31 December 2013: RMB913,073,000), of which, bank facilities of HK$109,632,000 were secured by corporate guarantee of the Company or its subsidiaries. Of the aggregate bank facilities, including a mortgage loan of HK$12,882,000 and short term bank loans of HK$278,750,000 in total, which were subject to the arrangement of floating interest rate. The loan interest rate ranged from HIBOR plus 0.9% to 1.5%. The time deposits of approximately RMB229,700,000 were pledged to bank to secure captioned short term bank loans. As at 30 June 2014, the debt ratio (defined as sum of interest-bearing bank loans over total assets) of the Group was 14.0% (as at 31 December 2013: 14.4%).

As at 30 June 2014, the Group had the inventory balance of RMB108,420,000 (as at 31 December 2013: RMB155,887,000).

As at 30 June 2014, the Group's capital commitments amounted to approximately RMB94,918,000 (as at 31 December 2013: RMB91,355,000), which mainly derived from the construction for the new GMP reconstruction works for cephalosporin powder for injection workshop and cephalosporin bulk medicines workshop and the workshops for non-cephalosporin bulk medicines and solid-dosage-forms preparation in Hedong Industrial Park of Suzhou Dawnrays Pharmaceutical Co., Ltd. The Group has sufficient financial and internal resources to bear the capital expenditure.

Save as aforesaid disclosure, the Group had no significant external investments or material acquisitions or disposal of subsidiaries and associated companies during the period.

FOREIGN EXCHANGE AND TREASURY POLICIES

As the Group's substantial business activities, assets and liabilities are denominated in Renminbi, the risk derived from the foreign exchange to the Group is not high. The treasury policy of the Group is to manage any risk of foreign exchange or interest rate, if any, only if it will potentially impose a significant impact on the Group. The Group continues to observe the foreign exchange and interest rate market, and may hedge against foreign currency risk with foreign exchange forward contracts and interest rate risk with interest rate swap contracts if necessary.

STAFF AND REMUNERATION POLICY

As at 30 June 2014, the Group employed approximately 957 employees and the total remuneration was approximately RMB43,481,000 (2013: RMB46,024,000). The Group regards human resources as the most valuable assets and truly understands the importance of attracting and retaining high-performance employees. The remuneration policy is generally based on the references of market salary index and individual qualifications. The Group provides its employees with other fringe benefits, including defined contribution retirement schemes, share option scheme and medical coverage. The Group also offers some of its employees stationed in the PRC with dormitory accommodation.

CHARGES ON ASSETS

As at 30 June 2014 the Group's assets with net book value of approximately RMB258,538,000 were pledged to banks to secure credit facilities granted to its subsidiaries (as at 31 December 2013: RMB285,320,000).

CONTINGENT LIABILITIES

As disclosed in the Company's 2013 annual report, a subsidiary of the Group was officially served for two litigation cases of disputes over the balance payment for a construction project in 2012. The court-appointed auditors had audited the final accounting for the completion of the project in accordance with the data confirmed by both sides of the plaintiff and defendant, including the relative completed final drawings and works contact records. On 17 February 2014, the Group's subsidiary received auditors' verification report of completion of the project. As at 30 June 2014, as there still have arguments in the report which will be determined by the court, the Group is currently unable to make reliable estimation with reasonable accuracy regarding the outcome of such litigations.

Save as aforesaid disclosure, the Group had no material contingent liabilities.

PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING

Save for those disclosed above in connection with capital commitments under the section "Liquidity and Financial Resources", the Group does not have any plan for material investments or acquisition of capital assets.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months period ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

To the best knowledge, information and belief of the Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the "Listing Rules") during the six months period ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code, throughout the six months period ended 30 June 2014.

AUDIT COMMITTEE

For the six months ended 30 June 2014, the Company had an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises of three independent non-executive directors of the Company as at the date of report.

The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 June 2014 have been reviewed by the audit committee before recommending it to the Board for approval.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 September 2014 to Wednesday, 10 September 2014 (both days inclusive), for the purposes of ascertaining entitlements to the Company's interim dividend, during which period no transfer of shares will be registered.

Dividend warrants will be despatched to shareholders on or about Tuesday, 23 September 2014. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 5 September 2014.

APPRECIATION

Meanwhile, I would also like to take this opportunity to express my appreciation for the understanding, coordination and support from the Company's shareholders, business partners, directors, management personnel and all staff for my work.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 15 August 2014

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