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 THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2010 RMB'000	2009 RMB'000	Increase (%)
Revenue	1,286,683	1,082,110	18.9
Gross profit	376,157	328,052	14.7
Profit before tax	208,879	151,463	37.9
Profit for the year	166,838	118,344	41.0
Earnings per share attributable to ordinary equity holders of the parent-basic (RMB)	0.2104	0.1513	39.1
Proposed final dividend per share (HK$)	0.078	0.050	56.0

The board (the "Board") of the directors (the "Directors") of Dawnrays Pharmaceutical (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010 (the "reporting period") together with the comparative amounts for 2009 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010	2009
		RMB'000	*RMB'000*
REVENUE	5	1,286,683	1,082,110
Cost of sales		(910,526)	(754,058)
Gross profit		376,157	328,052
Other income and gains	5	9,145	4,595
Selling and distribution costs		(95,673)	(101,206)
Administrative expenses		(48,884)	(47,575)
Other expenses		(31,317)	(32,008)
Finance costs	6	(549)	(395)
PROFIT BEFORE TAX	7	208,879	151,463
Income tax expense	8	(42,041)	(33,119)
PROFIT FOR THE YEAR		166,838	118,344
Attributable to:			
Owners of the parent		166,840	118,388
Non-controlling interest		(2)	(44)
		166,838	118,344
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
- basic, for profit for the year		RMB0.2104	RMB0.1513
- diluted, for profit for the year		RMB0.2093	RMB0.1506

Details of the dividends payable and proposed for the year are disclosed in note 9 to the results announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	166,838	118,344
Exchange differences	(786)	(90)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(786)	(90)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	166,052	118,254
Attributable to:		
Owners of the parent	166,054	118,298
Non-controlling interest	(2)	(44)
	166,052	118,254

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2010

	Notes	2010 *RMB'000*	2009 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		269,416	250,186
Land use rights		46,421	47,462
Construction in progress		117,030	85,699
Intangible assets		14,914	15,685
Deferred tax assets		1,264	1,206
Total non-current assets		449,045	400,238
CURRENT ASSETS			
Inventories		181,868	184,346
Trade and notes receivables	11	499,495	435,308
Prepayments, deposits and other receivables		15,830	14,309
Equity investments at fair value through profit or loss		6,244	5,814
Restricted bank deposits		49,700	-
Cash and cash equivalents		210,975	86,450
Total current assets		964,112	726,227
CURRENT LIABILITIES			
Trade and notes payables	12	427,044	350,455
Other payables and accruals		76,499	40,814
Bank advances for discounted bills		100	5,000
Interest-bearing bank loans		51,056	1,761
Income tax payable		9,827	5,951
Total current liabilities		564,526	403,981
NET CURRENT ASSETS		399,586	322,246
TOTAL ASSETS LESS CURRENT LIABILITIES		848,631	722,484
NON-CURRENT LIABILITIES			
Interest-bearing bank loan		-	3,522
Government grants		-	1,120
Deferred tax liability		13,677	5,998
Total non-current liabilities		13,677	10,640
Net assets		834,954	711,844
EQUITY			
Equity attributable to owners of the parent			
Issued capital		84,578	83,649
Reserves		697,904	592,871
Proposed final dividend	9	52,472	34,769
		834,954	711,289
Non-controlling interest		-	555
Total equity		834,954	711,844

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss that have been measured at fair value. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	*First time Adoption of International Financial Reporting standards*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and separate financial statements*
IFRS 1 Amendments	*Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	*Group cash-settled share-based payment transactions*
IFRS 5 Amendments	*Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
IAS 39 Amendment	*Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
IFRIC – Int 17	*Distribution of non-cash assets to owners*
Improvements to IFRSs 2009	*Amendments to a number of IFRSs*

The adoption of the above new and revised IFRSs has had no significant financial effect on financial statements of the Group for the year ended 31 December 2010 although they may affect the accounting for future transactions and events.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendment	*Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* [2]
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
IFRS 9	*Financial Instruments* [5]
IAS 24 (Revised)	*Related Party Disclosures* [3]
IAS 32 Amendment	*Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues* [1]
IFRIC-Int 14 Amendments	*Amendments to IFRIC-Int 14 Prepayments of a Minimum Funding Requirement* [3]
IFRIC-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the IASB has issued Improvements to IFRSs 2010 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2013

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

The IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IFRS 3 *Business Combinations:* Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the amendments limit the scope of the measurement choices of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) IAS 1 *Presentation of Financial Statements:* Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) IAS 27 *Consolidated and Separate Financial Statements:* Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

4. SEGMENT INFORMATION

For management purposes, the Group organizes the business units based on their products.

In previous years, the Group operated and managed its business as a single segment that included the manufacture and sale of pharmaceutical products. In the year ended 31 December 2010, in line with the business growth, the Group's chief operating decision maker started to review results of individual business units instead of consolidated results when making decisions about allocating resources and assessing performance of the Group. For management purposes, the Group's business is organized into the following two reportable segments:

a) Manufacture and sale of Intermediates and bulk medicines
b) Manufacture and sale of Finished drugs (including antibiotics finished drugs and non-antibiotics finished drugs)

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 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.

Segment liabilities exclude interest-bearing bank loans, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities 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.

Year ended 31 December 2010	Intermediates and bulk medicines	Finished drugs	Elimination of intersegment sales	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment Revenue:				
Sales to external customers	813,415	473,268	-	1,286,683
Intersegment sales	114,259	-	(114,259)	-
	927,674	473,268	(114,259)	1,286,683
Segment Results	106,230	174,421	-	280,651
Reconciliation:				
Unallocated gains				7,752
Corporate and other unallocated expenses				(78,975)
Finance costs				(549)
Profit before tax				208,879

4. SEGMENT INFORMATION (continued)

Year ended 31 December 2009	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	636,014	446,096	-	1,082,110
Intersegment sales	127,260	-	(127,260)	-
	763,274	446,096	(127,260)	1,082,110
Segment Results	88,525	119,576	-	208,101
Reconciliation:				
Unallocated gains				4,101
Corporate and other unallocated expenses				(60,344)
Finance costs				(395)
Profit before tax				151,463

As at 31 December 2010	Intermediates and bulk medicines *RMB'000*	Finished drugs *RMB'000*	Total *RMB'000*
Segment Assets:	791,419	257,067	1,048,486
Reconciliation:			
Corporate and other unallocated assets			364,671
Total assets			1,413,157
Segment Liabilities:	417,237	49,871	467,108
Reconciliation:			
Corporate and other unallocated liabilities			111,095
Total liabilities			578,203

As at 31 December 2009	Intermediates and bulk medicines *RMB'000*	Finished drugs *RMB'000*	Total *RMB'000*
Segment Assets:	708,522	241,430	949,952
Reconciliation:			
Corporate and other unallocated assets			176,513
Total assets			1,126,465
Segment Liabilities:	321,826	33,948	355,774
Reconciliation:			
Corporate and other unallocated liabilities			58,847
Total liabilities			414,621

4. SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2010	2009
	RMB'000	*RMB'000*
Mainland China	1,071,893	982,422
India	128,484	37,083
Other countries	86,306	62,605
	1,286,683	1,082,110

The revenue information above is based on the location of the customers.

(b) Non-current assets

The Group's operations are substantially based in Mainland China and significantly all of the non-current assets of the Group are located in Mainland China. Therefore, no further analysis of geographical information is presented.

None of the Group's customers for both years contributed over 10% of the total revenue of the Group.

5. 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:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Revenue		
Sale of goods	1,286,683	1,082,110
Other income		
Bank interest income	2,308	477
Dividend income from equity investments at fair value through profit or loss	174	135
Foreign exchange differences	265	-
Government grants	4,475	677
Others	1,807	937
	9,029	2,226
Gains		
Gain on disposal of equity investments at fair value through profit or loss	54	498
Fair value gains, net:		
Equity investments at fair value through profit or loss	62	1,871
	116	2,369
	9,145	4,595

6. FINANCE COSTS

	Group 2010 RMB'000	Group 2009 RMB'000
Interest on bank loans wholly repayable within five years	549	4
Interest on bank advances for discounted bills	-	391
	549	395

7. PROFIT BEFORE TAX

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

	Group 2010 RMB'000	Group 2009 RMB'000
Cost of inventories sold	902,667	750,454
Depreciation	24,742	24,610
Impairment of property, plant and equipment	-	1,137
Recognition of land use rights *	1,041	1,694
Research and development costs:		
Amortisation of intangible assets **	1,061	1,163
Current year expenditure	27,088	22,333
	28,149	23,496
Minimum lease payments under operating leases:		
Buildings	1,579	1,750
Auditors' remuneration	1,100	1,000
Employee benefit expense (including directors' remuneration):		
Wages and salaries	69,523	64,222
Equity-settled share option expense	187	325
Retirement benefits	6,701	6,580
Accommodation benefits	2,718	2,603
Other benefits	10,629	9,435
	89,758	83,165
Foreign exchange differences, net	(265)	108
Impairment of trade receivables	(190)	1,871
Write-down of inventories to net realisable value	1,524	1,548
Impairment of intangible assets	-	200
Fair value gains, net:		
Equity investments at fair value through profit or loss	(62)	(1,871)
Bank interest income	(2,308)	(477)
Loss on disposal of items of property, plant and equipment	144	1,002
Gain on disposal of equity investments at fair value through profit or loss	(54)	(498)

* The recognition of land use rights for the year is included in "Administrative expenses" on the face of the consolidated income statement.

** The amortisation of intangible assets for the year is included in "Other expenses" on the face of the consolidated income statement.

8. INCOME TAX

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Current income tax		
Current income tax charge	35,612	22,512
Adjustments in respect of current income tax in previous years	(1,192)	246
Deferred income tax	7,621	10,361
Total tax charge for the year	42,041	33,119

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations. The undertaking for the Company is for a period of 20 years from 8 October 2002. Accordingly, the Company is not subject to tax.

The subsidiary incorporated in the British Virgin Islands (the "BVI") is not subject to income tax, as such subsidiary does not have a place of business (other than a registered office only) or carry out any business in the BVI.

The Hong Kong subsidiaries are subject to a statutory corporate income tax rate of 16.5% (2009: 16.5%) under the income tax rules and regulations of Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2009: Nil).

According to the PRC Enterprise Income Tax Law with effective from 1 January 2008, the Mainland China Subsidiaries are all subject to income tax at the rate of 25% on their respective taxable income.

On 21 October 2008, Suzhou Dawnrays Pharmaceutical Co., Ltd. ("Suzhou Dawnrays Pharmaceutical") was qualified as a High-New Technology Enterprise ("HNTE") of Jiangsu Province. As a result, Suzhou Dawnrays Pharmaceutical is entitled to a concessionary rate of income tax at 15% for three years commencing 1 January 2008.

All other subsidiaries in Mainland China are subject to the corporate income tax rate of 25% in 2010.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

8. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries or jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Accounting profit before income tax	208,879	151,463
At the PRC's statutory income tax rate of 25% (2009: 25%)	52,220	37,866
Tax effect of profits entitled to tax concession or lower tax rate enacted by local authority	(17,483)	(15,709)
Tax credit for purchase of domestic equipment	-	(562)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	7,679	10,675
Adjustments in respect of current income tax of previous years	(1,192)	246
Expenses not deductible for tax	771	578
Tax losses not recognised	745	649
Tax losses utilised from previous periods	(699)	(624)
At the effective income tax rate of 20.13% (2009: 21.87%)	42,041	33,119

9. DIVIDENDS

	Company	
	2010	2009
	RMB'000	*RMB'000*
Interim - HK$0.020 (2009: HK$0.018) per ordinary share	13,726	12,452
Proposed final – HK$0.078 (2009: HK$0.050) per ordinary share	52,472	34,769
	66,198	47,221

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 793,033,436 (2009: 782,344,219) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2010 *RMB'000*	2009 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	166,840	118,388

	Number of shares	
	2010 Thousands	2009 Thousands
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	793,033	782,344
Effect of dilution – weighted average number of ordinary shares:		
Share options	3,935	4,012
Weighted average number of ordinary shares adjusted for the effect of dilution	796,968	786,356

11. TRADE AND NOTES RECEIVABLES

	Group	
	2010 *RMB'000*	2009 *RMB'000*
Trade receivables	236,904	164,236
Impairment	(4,161)	(5,232)
	232,743	159,004
Notes receivable	266,752	276,304
	499,495	435,308

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of three months for major customers. Each customer has a credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to manage credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing.

11. TRADE AND NOTES RECEIVABLES (continued)

An aged analysis of the trade receivables and notes receivables as at the end of the reporting period, net of provisions, is as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	220,780	153,947
Between 91 and 180 days	11,921	5,044
Between 181 and 270 days	23	3
Between 271 and 360 days	8	-
Over one year	11	10
	232,743	159,004

	Group	
	2010	2009
	RMB'000	*RMB'000*
Notes receivable		
Outstanding balances with ages:		
Within 90 days	201,730	116,730
Between 91 and 180 days	65,022	159,574
	266,752	276,304

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
At 1 January	5,232	3,361
Impairment losses recognised	-	1,871
Amount written off as uncollectible	(917)	-
Impairment losses reversed	(154)	-
At 31 December	4,161	5,232

The above provision for impairment of trade receivables is provided for individually impaired trade receivables with an aggregate carrying amount before provision of RMB4,161,000 (2009: RMB5,232,000). The individually impaired trade receivables relate to customers with financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

11. TRADE AND NOTES RECEIVABLES (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired	220,780	153,947
Less than three months past due	11,921	5,044
Over three months past due	42	13
	232,743	159,004

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. TRADE AND NOTES PAYABLES

An aged analysis of the trade payables and notes payables as at the end of the reporting period is as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within 90 days	263,360	210,756
Between 91 and 180 days	159,562	138,366
Between 181 and 270 days	3,056	165
Between 271 and 360 days	215	153
Over one year	851	1,015
	427,044	350,455

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 STATEMENT
RESULTS

The Group has recorded revenue of approximately RMB1,286,683,000 for the year ended 31 December 2010 (2009: RMB1,082,110,000), which represents an increase of 18.9% from the revenue of 2009. Profit attributable to owners of the parent was approximately RMB166,840,000 (2009: RMB118,388,000), which is an increase of 40.9% from 2009. The increase in revenue was mainly due to the increase in sales of intermediates and bulk medicines by 27.9% compared with the corresponding of last year. The sales of solid-dosage-forms (mainly system specific medicines) increased by 43.9% compared with the corresponding of last year.

Also, from the strategic development perspective, the Group has been enhancing the market penetration actions in the field of cardiovascular system specific medicines and expanding the scale effect. Therefore, the market share for system specific medicine was increased. The growth of the system specific medicines optimized our product portfolio in 2010. In addition, the Group insists on utilizing the tight cost-control principle of corporate finance. The net cash flows from operating activities was RMB252,344,000 in 2010 (2009: RMB138,987,000), which was an increase of 81.6%. Hence, for the year ended 31 December 2010, under the condition of maintaining a stable dividend payout policy, almost all the development projects have been funded by the Group's own sufficient internal capital resources.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.078 per share for the year ended 31 December 2010, amounting to the total sum of approximately HK62,169,000 (equivalent to approximately RMB52,472,000), to the shareholders whose names listed in the registers of members as of Friday, 6 May 2011 subject to the approval of the shareholders at the forthcoming 2011 Annual General Meeting (the "2011 AGM"). Taking into consideration the interim dividend of HK$0.02 per share, the total annual dividend distributed for the year is HK$0.098 per share. The dividend payout ratio is approximately 39.7%.

OVERVIEW OF 2010

The rapid economic growth during the first decade of the 21st century and the exposure of a global financial crisis are redrawing the boundaries of China's business landscape. Globalization determines regional economic, social, and business trends, which inevitably shape competition among firms. Within the rapidly changing business environment, predicting and anticipating major trends and their impacts can help firms succeed by riding the current rather than swimming against it. The top management team's criteria in fixing and balancing the key products portfolios do reflect the strategic goals and visions of the enterprise.

As the latest China National Five-Year Strategic Plan indicates, the economic growth engine is domestic consumption rather than reliance on international exports. In order to fulfill this strategic objective, the keys are national innovation capability, institutional protection for new products and patents, and healthcare coverage for all Chinese citizens. Hence, the central government of China announced a stream of healthcare reform policies. The goal of healthcare reform is very substantial and unprecedented: To establish a basic national healthcare system capable of covering 1.3 billion Chinese safely, effectively, and economically. Therefore, these healthcare reform procedures are influencing all aspects of healthcare, including but not limited to insurance, basic healthcare, hospital administration, drugs, and public policy of healthcare management.

In summary, we believe that firms need to design and deploy business portfolios in order to compete in a high-growth pharmaceutical market. In fact, many pharmaceutical firms have been competing in the Chinese pharmaceutical sector. Multinational enterprises are enhancing their market penetration in China, as well as establishing research and development centers for the purposes of (internal) clinical trials. Newcomer domestic firms in China, with the attention of national competitors, are launching new generations of drugs and incrementally constructing the organizational capabilities to strengthen their business landscape in Asia and the world.

We thoroughly understand the co-existing condition of domestic newcomers and multinational enterprises, and the hyper-competition brought by these firms. We are exploring the development model of domestic newcomers, co-developing new products with alliances, and exploiting new business models for the purpose of growing and sustaining our performance in China and Asia Pacific.

Indeed, during the Group's history, we have continually seized opportunities to penetrate markets in high-growth, cannibalized market segments. Based on accumulated business logic and many years' experience in China's pharmaceutical market, the Board responds to new industry trends and changes with a rapid and flexible approach. The Group also control the cost of manufacturing to enhance our competitive advantages and to sustain the dynamics for future development.

PROSPECTS

Years of rapid growth and globalization are redefining the boundaries of the pharmaceutical firms that are competing in China. A new classification is required to depict this newly emerging, competitive landscape. Currently, some multinational enterprises are fully involved in the domestic competition among Chinese firms; they compete directly with hundreds of domestic players for identical consumers. The capital intensive state-owned enterprises in China, in contrast, are expanding their production capabilities and market share.

In the meantime, the State Food and Drug Administration (SFDA) of China is going to refer to the Good Manufacturing Practice (GMP) of the World Health Organization as the benchmark of China's GMP. China's SFDA will also follow the GMP standards set by the USA and EU in order to upgrade China's GMP to the cutting edge of global standards. From the perspective of the SFDA, this is one major force to push domestic pharmaceutical firms to compete in the global arena. Hence, the current small and mid-sized firms with old technologies and limited resources will face the stress of being eliminated in the near future.

Therefore, Directors believe that the Group will continuously pursue flexible future development directions. Attention to cost, speed to market, and decision-making of capital allocations can still reap rewards and enhance our R&D productivity. In 2011, the Board will consider the agenda of research and development, new product marketing plans, and optimization of resource allocations as first priorities. In this way, we can create value and maintain sustainability for all the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

PRODUCTION & SALES OPERATION

In the second half of 2010, in view of continuous launching of new products and also facilitating the management assessing to business performance and organizing resources allocation, the Group has grouped the products into 2 main reportable segments, 1) intermediates & bulk medicines and 2) finished drugs respectively. Intermediates & bulk medicines include all the Group's chemical and pharmaceutical intermediates and bulk medicines. Finished drugs include all the Group's antibiotic and non-antibiotic finished preparations with dosage forms of powder for injection and solid-dosage-form etc. Currently, all the Group's system specific medicines are solid-dosage-form in the non-antibiotic finished preparations segment.

For the year ended 31 December 2010, the production and sales volume of intermediates and bulk medicines of the Group increased by 10.1% and 27.9% respectively as compared to the corresponding period of 2009. For the finished drugs, the production and sales volume of powder for injection decreased by 24.4% and 21.7% respectively as compared to the corresponding period of last year. The production and sales volume of solid-dosage-forms increased by 19.0% and 29.4% respectively as compared to the corresponding period of last year. The main products such as anti-infective medicines "Xianshu" (先舒)(Cefoperazone Sodium and Sulbactam Sodium for Injection), "Xiankang"(先康)(Cefepime Hydrochlorde for injection), and system specific medicines including "Anneizhen"(安內真)(Amlodipine Besylate Tablets), "Anneixi"(安內喜) (Losartan Postassium and Hydrochlorothiazide Tablets), "Anneiqiang"(安內強) (Telmisartan Tablets), "Xikewei"(西可韋) (Cetirizine Hydrochloride Tablets), "Leiyide" (雷易德)(Entecavir Dispersible Tablets)etc continued positive growth in sales. Export sales, approximately RMB214,790,000 equivalent to 16.7% of turnover, further increased by 115.5% as compared to the corresponding period of last year.

DEVELOPMENT OF NEW PRODUCTS

In 2010, the Group obtained 3 production permits for Lansoproazole Tablets (蘭索拉唑片), Entecavir Bulk Medicines and Dispersible Tablets (恩替卡韋原料及分散片) from the State Food and Drug Administration, received 28 supplemental production permits for 16 products, 82 re-registered production permits for 37 products and 1 clinical permit. 4 new products had been applied for production permits (including 3 antibiotic products and 1 system specific medicine for cardiovascular system). 5 products were under clinical trials.

2010 HONOURABLE RECOGNITIONS

1) The Group's products, namely Cefoperazone Sodium for injection and its bulk medicine, Cefoperazone Sodium and Sulbactam Sodium for injection and its bulk medicine and Cefotaxime Sodium for injection and its bulk medicine, have been recognized as the new technology products of Jiangsu Province by Jiangsu Province Sci-tech Department in 2010.
2) Suzhou Dawnrays Pharmaceutical Co., Ltd. was evaluated as "AAA" credit rating by Jiangsu Branch of China Chengxin Credit Management Co., Ltd**.** in May 2010.
3) According to the information released at the 27th National Pharmaceutical Industry Annual Information Meeting(全國醫藥工業信息年會) held in August 2010, Suzhou Dawnrays Pharmaceutical Co., Ltd. was listed 78th in the National Pharmaceutical Enterprise Ranking (全國醫藥工業企業排名) announced in "Statistics Yearbook of Chinese Medicine and Pharmacy" (《中國醫藥統計年報》) of 2009.
4) In December 2010, Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized as A-level tax credit rating unit (A級納稅信用等級單位) by Suzhou taxation bureau at the national and local levels (蘇州市國家及地方稅務局).

CONSTRUCTION PROJECTS FOR THE EXPANSION OF PRODUCTION FACILITIES

Pharmaceutical Intermediates

Phase II of the construction project in Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. had been proceeding as planned.

Bulk Medicines

The new bulk medicines workshop of Suzhou Dawnrays Pharmaceutical Co., Ltd. completed equipment installing and commissioning, and started trial production. It is planned to start using in the first half of 2011.

The non-cephalosporin bulk medicines workshop of Suzhou Dawnrays Pharmaceutical Co., Ltd. Hedong Industrial Park phase I construction project progressed into the stage of equipment installation and commissioning while construction of the supporting utility works started.

Pharmaceutical Preparations

Design works for the non-cephalosporin solid-dosage-forms workshop in Hedong Industrial Park of Suzhou Dawnrays Pharmaceutical Co., Ltd. had been completed.

CHANGE NAME OF SUZHOU DAWNRAYS CHEMICAL CO., LTD.

Suzhou Dawnrays Chemical Co., Ltd. was approved to change the name to Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd. in October 2010. The scope of business has been changed from a pharmaceutical and chemical raw material producer to a technological innovative enterprise focused on pharmaceuticals R&D and amplified test production by industrial manufacturing requirements, providing strong support for the Group's innovative development.

VOLUNTARY WINDING-UP OF SHANGHAI DAWNRAYS CHEMICAL CO., LTD.

In February 2010, the Shanghai Jiading District People's Government officially approved the resolution to voluntary liquidate and dissolve Shanghai Dawnrays Chemical Co., Ltd.. Its deregistration issues were completed and the business was carried on by Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd.

OUTLOOK IN 2011

2011 is the year for China to achieve new medical reforms. A series of policies were introduced by the end of 2010 to push forward the accomplishment of the goals of medical reform phase by phase, and such policies will continue in 2011. The above is primarily reflected in the start of comprehensive implementation of essential drugs system, further enhancement of the reform on payment methods for medical care, stable pattern of hospital medication, encourage innovation and pricing guide by good quality good price remain constant. Implementation of the new edition of GMP will bring a new round of consolidations and restructures and accelerate the process of the integration of pharmaceutical industry. The Government will support innovative R&D projects of key domains with various measures. These policy factors are expected to have great impact on the pharmaceutical economy of China. The management of Dawnrays Pharmaceutical will proactively react according to the medical reform, continue to develop by following the direction of "professionalism, excellence, specialization, and innovation", while further reinforcing and expanding the market share of the Group's products in the fields of anti-infection, cardiovascular, anti-virus and allergy; speeding up the construction of solid-dosage-forms workshop for system specific medicines, so as to get prepared for the enhancement in production capacity of system specific medicines, steadily push forward the R&D process of new products and further improve the production quality of the products.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the year ended 31 December 2010, the Group has achieved the revenue of approximately RMB1,286,683,000, equivalent to an increase of 18.9% compared with the corresponding period of last year. Gross profit was approximately RMB376,157,000, equivalent to an increase of 14.7% compared with the corresponding period of last year. Gross profit margin was 29.2% which was slightly decreased from 30.3% as in the corresponding period of last year. The main reason for the decrease in gross profit margin was the sales volume of intermediates increased by 100.1% when compared with the corresponding period of last year, however its cost of sales increased by 10.6% when compared with the corresponding period of last year, which was caused by the fluctuation of quality in 7ACA, and reduced the overall gross profit margin. The sales volume and amount of the system specific medicines under finished drugs continued steady increase by 29.4% and 43.9% respectively compared with the corresponding period of last year.

TABLE OF TURNOVER ANALYSIS

PRODUCT	TURNOVER (RMB'000)			SALES BREAKDOWN (%)		
	2010	2009	Changes	**2010**	2009	Changes
Intermediates and Bulk Medicines	**813,415**	636,014	177,401	**63.22**	58.78	4.44
Finished Drugs	**473,268**	446,096	27,172	**36.78**	41.22	-4.44
Overall	**1,286,683**	1,082,110	204,573	**100.00**	100.00	0.00

EXPENSES

The total expenses incurred during the year decreased by RMB4,761,000 making total of RMB176,423,000 compared with the corresponding period of last year, equivalent to 13.7% of turnover (2009: 16.7%). Total expenses decreased sharply were mainly due to the Group had tight control in managing expenses while selling and distribution expenses were not increased with the increase in sales simultaneously.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2010, profit attributable to owner of the parent amounted to approximately RMB166,840,000 equivalent to an increase of 40.9% compared with the corresponding period of last year.

ANALYSIS ON THE RETURN ON ASSETS

As at 31 December 2010, net assets attributable to owners of the parent were approximately RMB834,954,000. Net return on net assets, which is defined as the profit attributable to owners of the parent for the year divided by net assets attributable to owners of the parent, was 20.0% (2009: 16.6%). The current ratio and quick ratio was 1.71 and 1.39 respectively. Turnover days for trade and notes receivables was approximately 133 days. The turnover days for inventory was approximately 73 days.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group held cash and cash equivalents of approximately RMB210,975,000(as at 31 December 2009: RMB86,450,000). During the year, the net cash flows from operating activities was approximately RMB252,344,000(2009: RMB138,987,000). Net cash flows used in investing activities was approximately RMB79,357,000 (2009: RMB60,396,000). Net cash flows used in financing activities was approximately RMB46,379,000 (2009: RMB30,987,000).

As at 31 December 2010, the Group has HK$60,000,000 short term bank loans which are interest-bearing. As at 31 December 2010, the debt ratio (defined as sum of bank advances for discounted bills plus interest-bearing bank loans over total assets) of the Group was 3.6% (as at 31 December 2009: 0.9%).

As at 31 December 2010, the Group's bank loans are guaranteed by corporate guarantee of the Company and some of its subsidiaries. Besides, a subsidiary of the Group undertook to maintain fixed deposits of not less than RMB49,700,000 throughout the loan period of HK$56,000,000 bank loans. The fixed bank deposits carries interest at market rate. In order to convert the floating rate bank loans to a fixed annual interest rate, the Group entered into an interest rate swap contract with a notional amount of HK$40,000,000 with a bank. The purpose is to execute the Group's financial management requirement to exclude any risk of interest rate fluctuations of floating interest rate loans for achieving the planned financial results.

As at 31 December 2010, the Group had aggregate bank facilities of approximately RMB827,012,000 (as at 31 December 2009: RMB700,568,000).

As at 31 December 2010, the Group's capital commitments amounted to approximately RMB273,680,000 (as at 31 December 2009: RMB154,410,000), which mainly derived from the construction of new workshops for non-cephalosporin bulk medicines and solid-dosage-forms preparation in Hedong Industrial Park and the construction of dangerous goods godown in Suzhou Dawnrays Pharmaceutical Co., Ltd., the phase II of plant construction (including the construction of workshops for the intermediates of system specific medicines) in Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd., the construction works for oral cephalosporin intermediates workshop in Suzhou Dawnrays Pharmaceutical Science and Technology Co. Ltd, etc. 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 year.

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 (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 31 December 2010, the Group employed 1,527 employees. For the year ended 31 December 2010, the total remuneration was approximately RMB89,758,000 (2009: RMB83,165,000). 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.

CHARGE ON ASSETS

As at 31 December 2010, the Group had no asset being pledged to banks to obtain credit facilities (as at 31 December 2009: Nil).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities (as at 31 December 2009: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2010.

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 Company confirms that all the Directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the 2010 annual report.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2010 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 Wednesday, 4 May 2011 to Friday, 6 May 2011 (both days inclusive) during which period no transfer of shares will be registered and effected. In order to qualify for the final dividend and be entitled to attend and vote at the 2011 AGM, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms 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 4:00p.m. on Tuesday, 3 May 2011.

APPRECIATION

As always, the Board believes that the direction of building any pharmaceutical enterprise should be based on cutting-edge knowledge and technology. We have devoted our efforts to recruiting and promoting top talent. We believe that human resources are the most valuable intangible assets of the Group and the essential driving force for the sustainable development of the Group. I would like to take this opportunity to express my sincere gratitude to my colleagues spread across China for their dedicated performance and diligence.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 14 March 2011

As at the date of this announcement, 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.