DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED
東 瑞 製 葯 (控 股) 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

2003 FINAL RESULTS - ANNOUNCEMENT

The board of directors ("Board") of Dawnrays Pharmaceutical (Holdings) Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2003 (the "Reported Year"), together with the audited comparative figures for 2002.

RESULTS

The Group recorded a turnover of approximately RMB491,388,000 and profits attributable to shareholders of approximately RMB108,022,000 for the year ended 31 December 2003, representing an increase of approximately 50% and approximately 8% over 2002 respectively. Growth in turnover and profits were mainly attributable to the significant increase in the production and sales volume of cephalosporin antibiotics series in powder for injection form and bulk medicine, the rapid penetration in the market of the new products of system specific medicines (with average gross profit of approximately 78%) as planned, as well as the effective control on manufacturing costs.

FINAL DIVIDEND

The Board has declared a final dividend of HK$0.035 per share for the year ended 31 December 2003, amounting to a total sum of HK$28,000,000 (equivalent to approximately RMB29,839,600).

Together with the interim dividend of HK$0.015 per share, this will bring the total dividend distribution for the year to HK$0.05 per share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26 April 2004 to Thursday, 29 April 2004 (both days inclusive), during which period no transfer of shares in the Company will be registered.

Dividend cheques will be despatched to shareholders on or about 14 May 2004. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Abacus Share Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 23 April 2004.

BUSINESS OUTLOOK

I. An analysis on market positioning

According to the "China Medical Statistical Year Book 2002" (2002年中國醫藥統計年報), the scale of cephalosporins market in the PRC as a whole exceeded RMB11.9 billion in 2002. As indicated by such analysis, growth in the consumption of cephalosporins per annum was greater than 20% in the recent five years. At the same time, China adopted the tendering mechanism for medicines dedicated to be used in hospitals and the centralised social medical insurance mechanism. Moreover, pursuant to the "Notice on the Acceleration of the Supervision and Implementation of GMP" (關於全面加快監督實施藥品GMP工作進度的通知) issued by the then State Drug Administration of the PRC, all pharmaceutical manufacturing enterprises in the PRC are required to obtain Good Manufacturing Practice ("GMP") certification by 30 June 2004. Pharmaceutical manufacturing enterprises which fail to obtain GMP certification shall cease production, and thus may not continue their operation of pharmaceutical manufacturing business in the PRC.

II. Vertical integration of the enterprise

The Group is principally engaged in the PRC in the development, manufacture and sale of non-patented chemical medicines, including cephalosporins in sterile bulk medicine and powder for injection forms and their intermediate pharmaceuticals and system specific medicines. It is one of the few cephalosporins manufacturers in the PRC which has realised a comprehensive vertically integrated production. Currently, the Group's solvent crystallisation techniques for production of sterile bulk medicine is a leading technology employed in the PRC. The Group's cefoperazone sodium bulk medicine produced from this technique has commanded a market share of nearly 70% in the PRC.

As the market of cephalosporins is highly attractive, the Directors of the Group are fully aware that large pharmaceutical enterprises in the PRC, including State-owned enterprises and foreign invested enterprises, are starting to gradually increasing their investments in this industry. In addition to the policy impact on GMP production requirement, the Directors consider that in the coming three to five years, the production process in the nation will become standardised and the number of pharmaceutical manufacturers in the PRC will drop, whilst large pharmaceutical manufacturers will capitalise on the competitive edges on resources and operating efficiency arising from an integrated industrial chain to compete for market share. Effective allocation of resources within the pharmaceutical industry will focus on enterprises with adequate capital, technical process advantages and strong sales capabilities. Competition among such enterprises will also increase.

III. **Our strategies**

Under such circumstances, the Group has formulated and implemented the following strategies:

1. *To develop economies of scale*

   Following the completion of the new bulk medicine workshop which commenced production in early 2003, the Group has a production capacity of third generation cephalosporins bulk medicine at 300 tonnes per annum. On this basis, in the second half of 2003, the Board decided to construct an additional 300 tonnes bulk medicine workshop, thereby making the third generation cephalosporins bulk medicine production capacity of Dawnrays Pharmaceutical to attain a high capacity by world standard as well as being a top-grade product produced in the PRC.

2. *To focus on the development of medicines with huge market and commercial values*

   Currently, most pharmaceutical manufacturing enterprises in the PRC are regional in nature. These enterprises do not possess the resources and capacity of being an international large pharmaceutical manufacturer. Since the establishment of Dawnrays, the Group has been developing medicines based on patents near expiry but with huge market and commercial values in the PRC. The focus of the R&D lies on the production techniques and quality assurance. As the population in the PRC is huge, such model of R&D requires relatively smaller investments, but delivers reasonable return within a short lag time, and is suitable to the situation of the PRC as a whole.

3. *Business models characterized by market segmentation and vertical integration*

   The Group has taken a balanced approach to the product mix of development of cephalosporins and system specific medicines. The workshop for the production of cephalosporins powder for injection form will gradually increase production from 45 million vials per annum to 280 million vials per annum. As the average gross profit of cephalosporin is declining, the Group will significantly increase production volume, expand market share and incubate brand-name in respect of cephalosporins. It is believed that the price reduction of cephalosporins in the PRC will bring about significant increase in the market share of cephalosporins in the market of antibiotics in the PRC.

   At the same time, by leveraging on the solid foundation in the market, as represented by a huge market share and high brand awareness created by our cephalosporins, the Group's system specific medicines, such as amlodipine besylate tablets, rapidly penetrated the end-user markets with remarkable sales growth, and contributed approximately 18% to the gross profit of the Group in Year 2003 (2002: contributed 9% to the Group's gross profit).

4. *Establishing a 3-dimensional marketing model*

After the Group was listed in July 2003, the Group has increased the market penetration of its product and has expanded its marketing network from metropolitan cities throughout the nation to the market, sales, and academic promotion network of regional township throughout the nation. At the same time, division of labour is witnessed in the marketing and sales system, so as to actively cope with different market segments. By incubating sources of end-users in hospital, and establishing intensive distribution channels, the penetration of cephalosporins extended from the existing prosperous cities to the huge inland markets. In respect of bulk medicines, local sales sources in the various provinces and cities established broad and mutually benefiting collaboration relationships among each other.

In respect of system specific medicines, more efforts were devoted promotions in the academic field, with a view to attract commentaries made by western medicine authorities in the PRC on the Group's products, so that adjustments may be made to the product quality and production technique in a rapid manner. A sound nationwide information feed-back mechanism covering users in the hospital was established.

5. *Upward integration, international collaboration, and formation of alliances with strategic partners*

As at to date, the Group has been actively seeking for opportunities of upward integration of the industrial chain subject to globalisation and accession of the PRC into the WTO. At the same time, the Group is still interested to diversify into the operation of traditional Chinese medicines and healthcare nutritions products in a state-of-the-art form. Currently, products of Dawnrays Pharmaceutical were exported to foreign countries, including Thailand and Pakistan. The Group has been active in seeking strategic collaboration partners with respect to capital structure and business developments.

BUSINESS REVIEW

1. Production & Sales Operation

The Group continued to optimize its production process and production management for the production of cephalosporin medicines in powder for injection form so as to explore underutilized capacities for satisfying demand in the market to the greatest extent. Total output for cephalosporin medicines in powder for injection form amounted to 63,101,300 vials in the Reported Year, representing an increase of 85% over 33,941,600 vials in the previous year. Sales of cephalosporins in powder for injection forms was RMB230,976,000, representing an increase of 20% as compared with last year.

The new bulk medicine workshop commenced operation in early 2003. The Group fully leveraged on the additional capacity and expanded its production of bulk medicine on an extensive scale. A total of 223.10 tonnes of bulk medicine was produced in year 2003, which grew by 2.63 times over 61.49 tonnes in the previous year. Not only has the Group consolidated its leading position in the market of cefoperazone sodium, but also rapidly established its market share for ceftriaxone sodium by capitalizing on the advantages of its brand. Its market share has grown to over 25%. Sales of bulk medicines recorded by the Group during the year 2003 was RMB209,950,000, representing a growth of 86% compared with last year.

Output of preparation medicines in oral form (system specific medicines) was 100,684,900 tablets/ capsules for the year, which was increased by 1.06 times over 48,758,500 tablets/ capsules in the previous year. Sales of preparation medicines in oral form (system specific medicines) was RMB48,681,000 in year 2003, an increase of 122% as compared with last year.

2. **Products In The Pipeline**

During 2003, the Group obtained 7 clinical permits, 24 production and supplementary production permits from the State Food and Drug Administration of the PRC ("SFDA"). Of which, the Company succeeded in the R&D and launched three anti-infective drugs, namely sparfloxacin lactate, ceftazidime, and sulbactam sodium as well as compound ranitidine capsules, a medicine for the treatment of gastric ulcers. Currently, the Group has 47 species of medicines, 10 of which are new medicines. In addition to compound ranitidine capsules, more than 10 R&D projects, including a project for the fourth generation cephalosporins, are currently in the pipeline as planned. Another important task for the R&D team is to continue with the optimization of the production process, so as to enhance the quality and reduce the cost accordingly. The production process of intermediate for several anti-infective drugs and bulk medicines are further optimize, and thus their advantages in terms of quality and cost were consolidated.

3. **Expansion of Production Facilities**

The construction of the new bulk medicine workshop, which successfully passed the national GMP certification, has six production lines and an annual production capacity of 235 tonnes, was completed and commenced production in the first quarter of 2003. The construction of the new workshop for the production of cephalosporin medicines in powder for injection forms, which successfully passed the GMP certification of SFDA, has 12 production lines and an annual production capacity of 235,000,000 vials, was completed in the fourth quarter of 2003. Trial operation was successfully completed for one time in the fourth quarter of 2003. Equipment installation for the synthetic workshop with one production line for specific medicine and annual production capacity of 20 tonnes was also completed. Equipment testing and system commissioning is currently undergoing.

PROSPECTS

The Group's principal product, cephalosporins, has been the most popular medicine within its category in the PRC. It is anticipated that the demand of cephalosporins will enjoy greater growth. Various cephalosporin products of the Group have adopted our core technology, which has been enjoying obvious competitive advantages. Potential in the growth of sales remained high. Following the operation of a new workshop for the production of powder for injection commenced, sales of medicine in powder for injection form will not be subjected to limit in production capacity. However, following competitions in the cephalosporin medicines becoming more intensive, production will be focused on the integrated and consolidated pharmaceutical groups with the business model of "intermediate-bulk medicine-preparation medicine". The Group will continue to devote in strengthening antibiotics as a solid profit foundation.

Apart from antibiotics, system specific medicine is another foundation to support the Group's profitability. Currently, the sales of system specific medicines represents nearly 10% of the total turnover. The Group is currently consolidating its sales resources and strengthening capabilities in the development of market for system specific medicines. Amlodipine besylate, which was launched in late 2002, as well as compound Ranitidine capsules, a medicine for the treatment of gastric ulcers launched in late 2003, are both international classic medicines. It is believed that with the expansion in the extent of marketing and promotion activities, the Group will achieve remarkable results. Following the increase in the sales of system specific medicines with high profit margin, the Group expects the overall gross profit margin will be lifted.

FINANCIAL REVIEW

Sales and Gross Profit

During the year ended 31 December 2003 ("the Reported Year"), the Group recorded sales income of approximately RMB491,388,000, representing an increase of 50% as compared with the previous year. Gross profit was approximately RMB205,903,000, an increase of 19% as compared with the previous year. Gross profit margin was 42% (2002: 53%). The main reasons for the fall in gross profit margin are as follows: firstly, the Group took the initiative in reducing prices to consolidate and increase market share; secondly, the Group increased proportion of sales of bulk medicine that have relatively lower gross profit margin; and thirdly reductions in unit cost was less than reductions in sales prices of our products. The Group will continue to optimize production technology, strengthen production process management, and reduce material costs, with the effect that there have been obvious reductions in the unit costs of the products.

During the Reported Year, sales of bulk medicine amounted to RMB209,950,000, representing an increase of 86% as compared with RMB113,176,000 of year 2002. Sales of bulk medicine accounted for 43% of total sales (2002: 35%). Gross margin of bulk medicine in the Reported Year was approximately 20% (2002: 37%).

During the Reported Year, sales of preparation medicine powder for injection form amounted to RMB230,976,000, representing an increase of 20% as compared with year 2002. Sales of powder for injection form accounted for 47% of total sales (2002: 59%). Gross margin of preparation medicine powder for injection form in the Reported Year was approximately 55% (2002: 60%).

During the Reported Year, sales of system specific medicine amounted to RMB48,681,000, representing a 1.22 times increase as compared with RMB21,888,000 of year 2002. Sales of system specific medicine accounted for 10% of total sales (2002: 7%). Gross margin of system specific medicine in the Reported Year was approximately 78% (2002: 69%).

The two anti-infective drugs launched during the Reported Year, namely ceftazidime (bulk medicine form and powder for injection form) and sparfloxacin lactate contributed turnover of RMB3,428,000 and RMB3,985,000, respectively.

Expenses

Total expenses incurred during the Reported Year amounted to approximately RMB94,346,000, an increase of 31% over the previous year. Total expenses as a percentage of sales reduced to 19% (2002: 22%).

Of which, selling and distribution costs amounted to RMB56,795,000, an increase of 9% over the previous year. Selling and distribution cost as a percentage of sales reduced to 12% (2002: 16%).

Administrative costs and other operating costs amounted to RMB36,606,000, an increase of 89% over the previous year. The increase was due to expenses incurred by Suzhou Dawnrays Chemical Co., Ltd (construction work of which commenced in the second half year of 2002), expenses incurred by the Hong Kong head office (which was set up in the second half year of 2002), and increased research and development expenditures. Financial cost amounted to RMB945,000, an increase of 81% as compared with the previous year.

Profit Attributable to Shareholders and Income Tax

During the Reported Year, profit attributable to shareholders amounted to RMB108,022,000, a growth of approximately 8% over that of the previous year. Net profit margin was 22% (2002: 31%). The reduction in net profit margin was, mainly due to the fall in gross profit margin and the fact that Suzhou Dawnrays Pharmaceuticals Co., Ltd commenced to pay income tax during the Reported Year.

In 2003, Suzhou Dawnrays Pharmaceuticals Co., Ltd started, till the end of 2005, to be subject to its 50% tax exemption at a corporate income tax rate of 12%. This is in contrast with full exemption in the previous year. Shanghai Dawnrays Chemical Co. Ltd is exempted from corporate income tax and local corporate income tax for the second year.

Analysis on return of assets

During the Reported Year, with average total assets of RMB415,166,000, the Group realised net profit attributable to shareholders of RMB108,022,000, the Return on Total Assets (defined as Net Profit Attributable to Shareholders over Average Total Assets) was 26%, and far exceeded the average level of 4.29% for the nine months ended 30 September 2003 for the chemical pharmaceutical industry in accordance with the statistics compiled by the 中國化學製藥工業協會.

In fact, the Group capitalized on two important factors that were attributable to such Return on Total Assets: (1) Net Profit margin in the Report Year was approximately 22%; (2) rate of Total Assets Turnover (defined as Turnover over Average Total Assets) during the Reported Year was approximately 1.2 times. Turnover of funds was fast as a result of a high utilization rate in assets.

During the Report Year, Return on Equity (defined as Net Profit Attributable to Shareholders over Average Equity) was 38%.

Cashflow

The cashflows of the Group have been healthy. This was mainly attributable to the effective system of the Group established for sales management purpose, where performance appraisal of sales staff emphasized cash collection of sales money, thus reducing the aging period to a significant extent, and placing the responsibility of collection on the front-line sales staff. The Group adopted sound financial strategy, the supply of materials has credit period of three to six months. In R&D projects and market explorations, application of funds also pursued for principles of efficiency. With respect to capital expenditures on constructions of production facilities, tenders for major construction projects will be invited from the public, so as to strictly control estimation, budget and finalisation of accounts.

1) Net cash inflow from operating activities were RMB88,944,000 during the Reported Year.

2) Expenditures on construction projects and purchases of fixed assets and purchases of land-use-rights amounted to RMB64,992,000.

3) Profit distributions (including dividend paid to minority shareholders) amounted to RMB82,360,000.

4) Net proceeds from the New Issue of shares amounted to RMB155,286,000.

On 31 December 2003, the Group has monetary funds of RMB134,521,000 in hand, and no bank loans.

Liquidity, financial resources and capital structure

As at 31 December 2003, the Group's current assets amounted to approximately RMB360,141,000, whilst current liabilities was approximately RMB183,601,000. Net current assets were approximately RMB176,540,000.

As at 31 December 2003, the Group has aggregate bank facilities of approximately RMB325,000,000.

As at 31 December 2003, approximately RMB3,500,000 of the bank facility was secured over certain of the Group's properties. The pledge was subsequently released by banks in January 2004.

The debt ratio (defined as interest bearing loans and borrowings over total assets) of the Group as at 31 December 2003 was 0%.

Interest capitalized by the Group in relation to construction projects during the Reported Year was approximately RMB88,000.

As at 31 December 2003, the Group's capital commitments amounted to approximately RMB103,946,000 which will be funded by proceeds from listing and by internal resources.

Financial management, financial instruments and exchange rate risk

The Group implements a steady and prudent financial strategy. Exposure incurred during its course of financial management are managed in accordance with policies approved by the Board of Directors.

Substantially all of the revenue generating operations of the Group are normally transacted in Renminbi, which is not freely convertible into foreign currencies.

The Group's monetary assets and liabilities are normally denominated in Hong Kong Dollars, Renminbi and US Dollars.

The carrying amount of the Group's cash and cash equivalents, trade receivables and payables, other receivables and payables, borrowings and balances with related parties approximate their values because of the short maturity of these instruments.

The Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations, and the Group did not use any financial instruments.

Significant investments

Other than the expansion of the production facilities of Suzhou Dawnrays Pharmaceuticals Co., Ltd and establishment of a production plant for Suzhou Dawnrays Chemical Co., Ltd, as disclosed in the Company's prospectus dated 30 June 2003 under the section headed "Future Plans and Use of Proceeds", the Group did not have significant investments or material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2003.

Staff

Human resources is the most valuable assets of the Group. A professional, pragmatic, and highly efficient management team together with the staff as a whole is the Company's most valuable competitive advantage. The Group provides a competitive remuneration policy.

As at 31 December 2003, the Group employed approximately 749 employees (31 December 2002: approximately 535 employees) at market remuneration with employee benefits such as defined contribution retirement schemes, share option scheme and medical coverage. The Group provides certain of its employees in PRC with dormitory accommodation in PRC and makes monthly contribution to State unemployment insurance funds and to the State housing fund for employees in the PRC.

Total staff costs for the year were approximately RMB27,537,000 (2002: RMB15,978,000).

The Company has adopted a share option scheme. Under the share option scheme, the Eligible Persons (including the executive, non-executive and independent non-executive directors and employees of the Group (whether full time or part time)) may be granted options which enable them to subscribe for shares in the Company, up to a maximum of 10% of the shares in issue of the Company.

Options in respect of a total number of 40,000,000 shares has been granted during the year by the Company to Eligible Persons on 11 November 2003.

Charge on assets

As at 31 Decmber 2003, buildings with net book values of approximately RMB3,500,000 were pledged to banks to obtain credit facilities. The pledge was subsequently released by banks in January 2004.

As at 31 December 2002, buildings and machinery and equipment with net book values of approximately RMB17,069,000 and RMB11,764,000 respectively, were pledged to banks to obtain credit facilities.

Plans for significant investments and expected source of funding

Details of the Group's future plans for significant investments and their expected source of funding have been stated in the Company's prospectus dated 30 June 2003 under the section headed "Future Plans and Use of Proceeds".

The Group plans to construct a new workshop for the production of cephalosporins bulk medicines to further increase the Group's production capacity of cephalosporins bulk medicines from the existing 300 tonnes per annum to approximately 600 tonnes per annum. The Group plans to fund this investment by internal resources.

Other than those disclosed above, the Group did not have any plan for material investments or capital assets.

Segment information

The Group's turnover and profit for the two years ended 31 December 2003 were mainly derived from the sale of medicines by the PRC subsidiaries to customers in the PRC. The principal assets employed by the Group are located in the PRC. Accordingly, no segmental analysis by business and geographical segments is provided.

Contingent liabilities

As at 31 December 2003, the Group had no material contingent liabilities (31 December 2002: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the period from 11 July 2003 (the "Listing Date") to 31 December 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited since its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2003

	Notes	**2003** *RMB'000*	2002 *RMB'000*
TURNOVER	2	**491,388**	327,924
Cost of sales		**(285,485)**	(155,617)
Gross profit		**205,903**	172,307
Other revenue	2	**867**	527
Selling and distribution costs		**(56,795)**	(52,305)
Administrative costs		**(26,095)**	(10,643)
Other operating costs		**(10,511)**	(8,767)
PROFIT FROM OPERATING ACTIVITIES	3	**113,369**	101,119
Finance costs	4	**(945)**	(521)
PROFIT BEFORE TAX		**112,424**	100,598
Tax	5	**(3,996)**	—
PROFIT BEFORE MINORITY INTERESTS		**108,428**	100,598
Minority interests		**(406)**	(479)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**108,022**	100,119
DIVIDENDS	6		
Interim		**12,760**	—
Proposed final		**29,840**	69,245
		42,600	69,245
EARNINGS PER SHARE			
Basic	7	**RMB0.1551**	RMB0.1669

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Summary of corporate information and basis of presentation**

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 companies comprising the Group underwent a reorganization on 21 June 2003 to rationalize the Group's structure in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, pursuant to which the Company became the holding company within the Group (the "Group Reorganization").

The Group is principally engaged in the development, manufacture and sale of non-patented chemical medicines including cephalosporins in sterile bulk medicine and powder for injection forms, their intermediate pharmaceuticals and system specific medicines in the People's Republic of China (the "PRC"). Fortune United Group Limited, a company incorporated in the British Virgin Islands, is the holding company of the Company.

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

The consolidated financial statements have been prepared by adopting uniting of interests method of accounting as a result of the Group Reorganization which involved entities under common control. Under this method, the Company has been treated as the holding company of its subsidiaries for the two years ended 31 December 2003 rather than from the date of acquisition of the subsidiaries. The consolidated results, changes in equity, cash flows and the consolidated balance sheets of the companies now comprising the Group have been prepared as if the current Group structure had been in existence throughout the two years, or from the respective dates of establishment/incorporation of the companies now comprising the Group, where this is a shorter period.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

All significant intra-group transactions and balances have been eliminated on consolidation.

2. **Turnover and other revenue**

Turnover represents the net invoiced value of goods sold, net of value-added tax, after allowances for returns, trade discounts and various types of business tax and government surcharges where applicable. All significant intra-Group transactions are eliminated on consolidation.

	Group	
	2003	2002
	RMB'000	*RMB'000*
Turnover		
Sale of goods	**491,881**	328,263
Less: Sales tax and government surcharges	**(493)**	(339)
Turnover	**491,388**	327,924
Other revenue		
Interest income from bank balances	**770**	140
Government grants	**67**	100
Others	**30**	287
Other revenue	**867**	527
Total revenue	**492,255**	328,451

3. **Profit from operating activities**

The Group's profit from operating activities is arrived at after charging:

	Group	
	2003	2002
	RMB'000	*RMB'000*
Auditors' remuneration	**893**	40
Cost of goods sold	**285,485**	155,617
Amortization of deferred development costs	**566**	258
Amortization of land-use-rights	**212**	103
Depreciation	**6,097**	5,186
Loss on disposal of property, plant and equipment	**128**	177
Operating lease rentals in respect of buildings	**631**	390
Staff costs (including directors' remuneration):		
Retirement costs	**2,715**	1,590
Accommodation benefits	**1,348**	551
Salaries and other staff costs	**23,474**	13,837
Total staff costs	**27,537**	15,978
Research and development costs	**10,305**	8,425

4. **Finance costs**

	Group	
	2003	2002
	RMB'000	*RMB'000*
Interest on bank loans	**897**	477
Less: Interest capitalized	**88**	—
	809	477
Bank charges	**136**	44
	945	521

5. **Tax**

(a) *Income tax expense*

The income tax expense, all current, charged to the consolidated income statement during the year ended 31 December 2003 was as follows:

	Group	
	2003	2002
	RMB'000	*RMB'000*
Income tax expense	**13,704**	—
Tax refund	**(9,708)**	—
	3,996	—

No provision for Hong Kong profits tax has been made as the Group had no profits arising in Hong Kong during the year.

According to the Income Tax Law of the PRC, four subsidiaries of the Company, namely Suzhou Dawnrays Pharmaceuticals Co., Ltd ("Suzhou Dawnrays Pharmaceuticals"), Suzhou Dawnrays Chemical Co., Ltd ("Suzhou Dawnrays Chemical"), Suzhou Dawnrays Pharmceutical Technology Co., Ltd ("Suzhou Dawnrays Technology") and Shanghai Dawnrays Chemical Co., Ltd ("Shanghai Dawnrays Chemical") , which operate in approved economic development zones of the PRC, are exempted from corporate income tax of the PRC for the two years starting from the first profitable year of operation, after setting off losses carried forward, and are entitled to a 50% relief from corporate income tax of the PRC for the following three years. Suzhou Dawnrays Pharmaceuticals is in its third profitable year in 2003 and therefore the applicable income tax rate is 12%. Shanghai Dawnrays Chemical is in its second profitable year based on the income for statutory financial reporting purposes and, accordingly, no provision for income tax has been made in 2003. Suzhou Dawnrays Chemical and Suzhou Dawnrays Technology had no assessable profits and therefore, no provision for income tax has been made during the year.

No provision for deferred tax has been made as the net effect of all temporary difference is immaterial.

The reconciliation between tax expense and the product of accounting profit in the accompanying consolidated results of operation multiplied by the applicable income tax rate is as follows:

	Group	
	2003	2002
	RMB'000	*RMB'000*
Accounting profit in the accompanying consolidated income statement	**112,424**	100,598
Applicable income tax rate	**12%**	—
Tax at effective rate	**13,491**	—
Tax effect of income and expense items which are not assessable or deductible for income tax purpose	**213**	—
Current tax expenses	**13,704**	—

(b) *Tax refund*

Pursuant to a board resolution of Suzhou Dawnrays Pharmaceuticals dated 15 December 2003, Suzhou Dawnrays Pharmaceuticals declared an interim dividend of RMB71,190,000 to Dawnrays International Company Limited ("Dawnrays International") pertaining to the period of 11 months ended 30 November 2003. Pursuant to a board resolution of Dawnrays International dated 18 December 2003, Dawnrays International would make an application to the relevant government authorities for approval to re-invest the aforesaid dividend of RMB71,190,000 into Suzhou Dawnrays Pharmaceuticals. Such application was submitted on 8 March 2004. According to the relevant PRC tax law, tax refund in relation to the aforesaid re-investment amounted to RMB9,708,000.

6. **Dividends**

	Company	
	2003	2002
	RMB'000	*RMB'000*
Dividend pertaining to the prior year declared in the year	**69,245**	26,207
Interim - HK$0.015 (2002: N/A) per ordinary share	**12,760**	—
	82,005	26,207
Proposed final - HK$0.035 (2002: N/A) per ordinary share	**29,840**	69,245

On 16 March 2004, the Company declared a final dividend for the year ended 31 December 2003, at HK$0.035 per share, amounting to a total sum of HK$28,000,000 (equivalent to approximately RMB29,839,600).

7. **Earnings per Share**

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the current year of RMB108,022,000 (2002: RMB100,119,000), and the weighted average of 696,438,356 ordinary shares in issue during the year (2002: 600,000,000 ordinary shares on the assumption that the Group Reorganization was completed on 1 January 2002).

As the exercise price of outstanding share options is higher than the average fair value of the ordinary share during the year, the conversion to ordinary shares would increase earnings per share. The diluted earnings per share amount for the year ended 31 December 2003 has not been presented, as the share options outstanding during the year had an anti-dilutive effect on the basic earnings per share.

DETAILED FINAL RESULTS ANNOUNCEMENT ON EXCHANGE'S WEBSITE

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited and the annual report, which contains all information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules, will be available from the same website in due course.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 16 March 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Dawnrays Pharmaceutical (Holdings) Limited ("the Company") will be held at Plaza IV, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 29 April 2004 at 10:00 a.m. for the following purposes:-

1. To receive and consider the audited consolidated financial statements and the reports of the directors and the auditors for the financial year ended 31 December 2003.

2. To declare a final dividend.

3. To re-elect the retiring directors and authorise the board of directors of the Company (the "Board") to fix the remuneration of the directors.

4. To re-appoint auditors and to authorise the Board to fix their remuneration.

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

   (A) "**THAT**

      (i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options (including bonds, warrants and debentures convertible into shares of the Company) and rights of exchange or conversion which might require the exercise of such powers, in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, be and is hereby generally and unconditionally approved;

(ii) the approval in paragraph (i) of this resolution above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements, options (including bonds, warrants and debentures convertible into shares of the Company) and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval granted in paragraph (i) of this resolution above, otherwise than pursuant to (a) a Rights Issue, or (b) the exercise of options under any share option scheme or similar arrangement adopted by the Company for the grant or issue to the eligible participants of the Company and/or any of its subsidiaries and/or associated companies of options to subscribe for or rights to acquire shares of the Company, or (c) an issue of shares of the Company as scrip dividend or similar arrangement in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

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

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

(b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

(c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the Company in general meeting.

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

(B) "**THAT**

(i) subject to paragraph (ii) of this resolution below, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase or otherwise acquire shares in the capital of the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time be is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of shares of the Company which are authorised to be purchased pursuant to the approval in paragraph (i) of this resolution above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

(iii) for the purpose of this resolution:

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

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

(b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

(c) the date on which the authority sets out for this resolution is revoked or varied by an ordinary resolution of the Company in general meeting."

(C) "**THAT**

conditional upon the passing of the resolutions set out in paragraphs 5(A) and 5(B) of the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to the resolution set out in paragraph 5(A) of the notice convening this meeting be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of shares of the Company purchased or otherwise acquired by the Company pursuant to the authority granted to the directors of the Company under the resolution set out in paragraph 5(B) above of the notice convening this meeting."

6. To consider and, if thought fit, pass the following resolution as a **Special Resolution**:-

"**THAT**

(i) Article 2 of the Articles of Association of the Company be amended by inserting the following new definition:

“associate — has the meaning attributed to it in the rules of the Designated Stock Exchange.”

(ii) 1. Existing Articles 76 of the Articles of Association of the Company be re-numbered as Article 76(1).

2. A new Article 76(2) be added to the Articles of Association of the Company as follows:

“(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

(iii) The words “not less than seven (7) clear days but not more than fourteen (14) clear days before the date of the general meeting” in the last sentence of Article 88 of the Articles of Association of the Company be deleted in its entirety and replaced by the following:

“provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

(iv) Article 103 of the Articles of Association of the Company be deleted in its entirety and replaced by the following:

“103(1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

(i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase,where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;

(v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or

(vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(2) A company shall be deemed to be a company in which a Director and/or his associate(s) own(s) five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

(3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.

(4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.""

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 16 March 2004

Notes:

(a) The register of members of the Company will be closed from Monday, 26 April 2004 to Thursday, 29 April 2004 (both days inclusive), during which period no transfer of shares in the Company can be registered.

(b) All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 23 April 2004.

(c) Any shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.

(d) To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's principal office in Hong Kong at Suites 3212-13, Shell Tower, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjourned meeting.

(e) Further details regarding resolutions set out in paragraphs 5 and 6 of this notice of the annual general meeting of the Company will be sent to the shareholders of the Company together with the Company's 2003 Annual Report.