DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED
東瑞製葯（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2348)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

Unaudited	**For the six months ended 30 June**		
	2013	2012	Change
Revenue (RMB'000)	**446,911**	395,962	+12.9%
Gross Profit (RMB'000)	**188,304**	155,402	+21.2%
Gross Profit Margin	**42.1%**	39.2%	+2.9percentage points
Profit before tax (RMB'000)	**97,896**	74,337	+31.7%
Profit for the period attributable to owners of the parent (RMB'000)	**78,223**	57,894	+35.1%
Net Profit Margin	**17.5%**	14.6%	+2.9percentage points
Earnings per share-basic (RMB)	**0.0976**	0.0724	+34.8%
Interim dividend per share (HK$)	**0.02**	0.015	+33.3%

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board (the "Board") of directors (the "Directors") of Dawnrays Pharmaceutical (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 (the "period"). These interim results have been reviewed by the audit committee of the Company.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.02 per share for the year ending 31 December 2013, approximately amounting to a total sum of HK$16,038,000 (approximately equivalent to RMB12,658,000).

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	*RMB'000*
REVENUE	3	**446,911**	395,962
Cost of sales		**(258,607)**	(240,560)
Gross profit		**188,304**	155,402
Other income and gains	3	**8,181**	6,023
Selling and distribution expenses		**(54,627)**	(44,994)
Administrative expenses		**(27,742)**	(24,585)
Other expenses		**(14,355)**	(15,674)
Finance costs	4	**(1,865)**	(1,835)
PROFIT BEFORE TAX	5	**97,896**	74,337
Income tax expense	6	**(19,673)**	(16,443)
PROFIT FOR THE PERIOD		**78,223**	57,894
Attributable to:			
Owners of the parent		**78,223**	57,894
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– basic, for profit for the period		**RMB0.0976**	RMB0.0724
– diluted, for profit for the period		**RMB0.0975**	RMB0.0723

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**78,223**	57,894
Exchange differences	**1,304**	(85)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**1,304**	(85)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**79,527**	57,809
Attributable to:		
Owners of the parent	**79,527**	57,809

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 (Unaudited) RMB'000**	31 December 2012 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**358,014**	385,782
Land use rights		**43,817**	44,339
Construction in progress		**238,540**	195,107
Intangible assets		**23,424**	21,821
Deferred tax assets		**863**	703
Total non-current assets		**664,658**	647,752
CURRENT ASSETS			
Inventories	9	**176,774**	182,918
Trade and notes receivables	10	**420,469**	402,922
Prepayments, deposits and other receivables		**18,860**	14,432
Equity investments at fair value through profit or loss		**5,445**	5,705
Pledged bank deposits		**187,673**	160,220
Cash and cash equivalents		**194,384**	155,694
Total current assets		**1,003,605**	921,891
CURRENT LIABILITIES			
Trade and notes payables	11	**313,389**	285,319
Other payables and accruals		**55,757**	69,825
Interest-bearing bank loans		**233,603**	201,751
Income tax payable		**7,350**	5,992
Total current liabilities		**610,099**	562,887
Net current assets		**393,506**	359,004
Total assets less current liabilities		**1,058,164**	1,006,756
NON-CURRENT LIABILITIES			
Government grants		**3,594**	2,094
Deferred tax liabilities		**26,645**	22,550
Total non-current liabilities		**30,239**	24,644
Net assets		**1,027,925**	982,112

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued*)

	Notes	**30 June 2013 (Unaudited) RMB'000**	31 December 2012 (Audited) *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**84,973**	84,838
Reserves		**942,952**	861,866
Proposed final dividend		**-**	35,408
Total equity		**1,027,925**	982,112

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net cash flows from operating activities	**103,338**	101,492
Net cash flows used in investing activities	**(34,746)**	(90,109)
Net cash flows (used in)/from financing activities	**(28,598)**	45,393
Net increase in cash and cash equivalents	**39,994**	56,776
Cash and cash equivalents at 1 January	**155,694**	97,805
Effect of foreign exchange rate changes, net	**(1,304)**	(32)
Cash and cash equivalents at 30 June	**194,384**	154,549
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**86,469**	154,549
Short term deposits	**107,915**	-
	194,384	154,549

NOTES:

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

1.1 Corporate Information

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

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

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

1.2 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2013 (collectively defined as the "interim financial information") have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and applicable disclosure provisions of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements have not been audited. These interim condensed consolidated financial statements were approved and authorized for issue by the Board on 22 August 2013.

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

The interim financial information does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2012.

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

1.3 Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the new standards and interpretations as of 1 January 2013, noted below:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*
IAS 27 Revised	*Separate Financial Statements*
IAS 28 Revised	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

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

1.4 Impact of issued but not yet effective International Financial Reporting Standards

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 9	*Financial Instruments*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[1]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* [1]
IFRIC 21	*Levies* [1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

2. SEGMENT INFORMATION

The Group organizes the business units based on their products. For management purposes, the Group's business is organized into the following two reportable segments:

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

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

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

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

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

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

2. SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2012 (unaudited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Elimination of intersegment sales RMB'000	Total RMB'000
Segment Revenue:				
Sales to external customers	156,469	239,493	-	395,962
Intersegment sales	47,773	-	(47,773)	-
	204,242	239,493	(47,773)	395,962
Segment Results	(13,026)	118,071	-	105,045
Reconciliation:				
Unallocated gains				3,404
Corporate and other unallocated expenses				(32,277)
Finance costs				(1,835)
Profit before tax				74,337

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

As at 30 June 2013 (unaudited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Total RMB'000
Segment Assets:	664,992	405,485	1,070,477
Reconciliation:			
Corporate and other unallocated assets			597,786
Total assets			1,668,263

As at 31 December 2012 (audited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Total RMB'000
Segment Assets:	698,089	403,287	1,101,376
Reconciliation:			
Corporate and other unallocated assets			468,267
Total assets			1,569,643

3. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**446,911**	395,962
Other income		
Bank interest income	**4,206**	1,854
Dividend income from equity investments at fair value through profit or loss	**40**	51
Government grants	**1,160**	2,381
Foreign exchange differences	**1,137**	-
Others	**1,562**	1,709
	8,105	5,995
Gains		
Gain on disposal of equity investments at fair value through profit or loss	**76**	28
	8,181	6,023

4. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**1,865**	1,835

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB’000	*RMB’000*
Cost of inventories sold*	**258,607**	240,560
Depreciation	**17,467**	13,959
Recognition of land use rights **	**521**	521
Research and development costs:		
Amortisation of intangible assets ***	**369**	547
Current period expenditure	**8,809**	11,831
	9,178	12,378
Minimum lease payments under operating leases:		
Buildings	**457**	872
Employee benefit expense (including directors’ and chief executive officer’s remuneration) :		
Wages and salaries	**34,325**	29,457
Retirement benefits	**3,559**	3,348
Accommodation benefits	**1,544**	1,442
Other benefits	**5,849**	5,667
Equity-settled share option expense	**747**	1,196
	46,024	41,110
Foreign exchange differences, net	**(1,137)**	961
Write-down of inventories to net realisable value	**3,927**	1,779
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss	**554**	(102)
Bank interest income	**(4,206)**	(1,854)
(Gain)/loss on disposal of items of property, plant and equipment	**(376)**	85
Gain on disposal of equity investments at fair value through profit or loss	**(76)**	(28)

* The depreciation of RMB13,368,000 for the period is included in “Cost of inventories sold”.

** The recognition of land use rights for the period is included in “Administrative expenses” on the face of the condensed consolidated income statement.

*** The amortisation of intangible assets for the period is included in “Other expenses” on the face of the condensed consolidated income statement.

6. INCOME TAX

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax		
Current income tax charge	**15,662**	12,904
Adjustments in respect of current income tax in previous years	**77**	(456)
Deferred income tax	**3,934**	3,995
Total tax charge for the period	**19,673**	16,443

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

7. DIVIDENDS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Dividend pertaining to the prior year declared in the six months ended 30 June	**35,465**	44,197
Interim – HK$0.02(2012: HK$0.015) per ordinary share	**12,658**	9,836

On 22 August 2013, the Company declared an interim dividend for the year ending 31 December 2013, at HK$0.02 per share, amounting to a total sum of approximately HK$16,038,000 (approximately equivalent to RMB12,658,000).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit for the period attributable to ordinary equity holders of the parent of RMB78,223,000 (2012: RMB57,894,000) and the weighted average number of 801,807,713 ordinary shares (2012: 799,106,989 ordinary shares) in issue during the period.

The calculation of diluted earnings per share for the period is based on the profit for the period attributable to ordinary equity holders of the parent of RMB78,223,000 (2012: RMB57,894,000) and the weighted average number of 802,383,394 ordinary shares (2012: 800,860,239 ordinary shares) in issue during the period after adjusting for the effect of dilutive options.

9. INVENTORIES

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) *RMB'000*
At cost or net realisable value:		
Raw materials	**30,146**	52,865
Work in progress	**61,845**	50,235
Finished goods	**84,783**	79,818
	176,774	182,918

10. TRADE AND NOTES RECEIVABLES

An aged analysis of the trade receivables and notes receivable as at 30 June 2013, net of provisions, is as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) *RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	**124,664**	164,646
Between 91 and 180 days	**32,113**	3,056
Between 181 and 270 days	**11,704**	3,037
Between 271 and 360 days	**2,481**	-
Over one year	**8**	8
	170,970	170,747
Notes receivable	**249,499**	232,175
	420,469	402,922

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

Notes receivable amounting to RMB14,562,000 (as at 31 December 2012: nil) were pledged to secure bank loans.

11. TRADE AND NOTES PAYABLES

An aged analysis of the trade payables and notes payable as at 30 June 2013 is as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) *RMB'000*
Outstanding balances with ages:		
Within 90 days	**197,322**	246,730
Between 91 and 180 days	**92,146**	37,213
Between 181 and 270 days	**1,700**	801
Between 271 and 360 days	**21,849**	45
Over one year	**372**	530
	313,389	285,319

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

CHAIRMAN'S STATEMENT

RESULTS

The Group recorded revenue of approximately RMB446,911,000 for the six months ended 30 June 2013 (2012: RMB395,962,000), which represents an increase of 12.9% from the revenue of the corresponding period in 2012. Profit attributable to owners of the parent was approximately RMB78,223,000 (2012: RMB57,894,000), which was an increase of 35.1% from the corresponding period in 2012. The increase in turnover and profit was mainly attributable to the sales of several main products in the Group's system specific medicines, cephalosporin intermediates and bulk medicines recorded satisfactory growth compared with the corresponding period of last year.

OVERVIEW & PROSPECTS

Despite the fact that China's economic situation in the first half of 2013 tended to be complicated and changeful due to restructuring, with increased market operation risks, both the sales revenue and aggregate profit of China's pharmaceutical industry recorded satisfactory growth over the corresponding period of 2012 benefiting from the government's continued input of financial resources into medical reform.

Ever since the Group strategized the development of system specific medicines, it has been increasing investment in this area, expanding product mix and launching new products. Our purpose is to foster series of products in all therapeutic areas and hence render more choices to the market and consumers. Meanwhile, attributable to the effective marketing efforts of the Group's management team, the product launch success rate and product sales lifecycle of system specific medicines were up to our expectations. As a result, the Group recorded steady growth in sales revenue and profits from system specific medicines. Unless major adverse events hit the market, system specific medicines will continue to engine the growth of the Group's earnings.

As for the Group's antibiotics (with cephalosporin and other categories) business, due to clinical application was considerably restricted by the government, the market volume showed a downward trend, leading to nationwide overcapacity of antibiotics the more obvious. Since the supply was not aligned with demand in the market, the profitability of the Group's antibiotics products was continuously impaired, nevertheless, the overall situation was already easier than that in 2012. Under such circumstance, it can be projected that integration in the antibiotics industry in China will be accelerated and backward enterprises will be phased out, which will facilitate the establishment of a more balanced positive interaction between supply/demand and price.

China has promulgated a number of policies and measures relating to the medical and pharmaceutical sectors to advance medical system reform and realize targets set in the "Twelfth Five-Year Plan". Under the guidance of such policies, upgrading of China's pharmaceutical manufacturing sector was in full swing. The government is building a strict mechanism to control all links of the pharmaceutical industry ranging from production, circulation to regulation and pricing, to drive the long-term and healthy development of the pharmaceutical manufacturing industry in China's healthcare system.

The Group believes that compared with other industries in China, the pharmaceutical manufacturing industry still has significant edges for development. However, regulation of the industry will be increasingly tightened and competition in the industry will become increasingly fiercer. The Group will strive to better our management platform and double our efforts in the research and development of new system specific medicines and production technologies, in order to consolidate our strength for sustainable development. At the same time, the Group will adjust sales strategies and staffing pursuant to domestic and international market trends and government policies to win over sustainable growth of all businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

There had been factors favoring the development of the pharmaceutical industry in the first half of 2013. Under the guidance of China's "Twelfth Five-year Plan", the pharmaceutical industry maintained steady growth in overall, and the increase in government pharmaceutical spending and favorable government policies will boost the rapid growth of pharmaceutical consumption. According to latest statistics published by the National Bureau of Statistics of China, pharmaceutical manufacturing enterprises above designated size in China recorded modest growth in both operating revenue and total profit from main business in the first half of 2013. Nonetheless, provincial policies on medicine bidding in China generally tend to give priority to pricing. In particular, national policies still restrict the use of antibiotics products, causing most enterprises to bid at low prices. Under such environment, the Group focused on its specific medicine portfolio led by cardiovascular drugs, adjusted the production scale of its antibiotics products in a reasonable manner, and continued to optimize and expand the Company's academic marketing and promotion network, thereby consolidating and expanding the market share of its specific medicines such as cardiovascular drugs and drugs for treating hepatitis B. The Group vigorously introduced new products to improve the structure of its specific medicine products and sped up its new product development, realized the technological upgrade of its existing products to enhance product quality. With respect to the new GMP certifications, the preparation work for the new GMP certification at Hedong Industrial Park is progressing orderly, and the preparation work for the new GMP certification for main antibiotics products had been completed. The Company will strive to improve the competitiveness of its products.

PRODUCTION & SALES OPERATION

For the six months ended 30 June 2013, the production and sales volume of bulk medicines increased by 30.7% and 76.3% respectively, compared with the corresponding period of last year. The increase in production was because in the corresponding period of last year, China started to implement its policies to restrict the use of antibiotics, which led sudden contraction of market size but the then level of inventory was quite high, enterprises sharply slowed down normal production, resulting in the slump in production. Following a year of policy implementation, the antibiotics market entered a state of normal operation in the new order. As such, market demand for antibiotics grew slightly from 2012, though still lower than that of 2011. The significant increase in sales volume of bulk medicines was primarily attributable to the fact the Group endeavored to increase their sales volume by means of raw materials trading. The production and sales volume of powder for injection fell by 25.5% and 31.1% respectively, compared with the corresponding period of last year, which was normal given the reduction in market size following the implementation of policies to restrict the use of antibiotics. The production and sales volume of solid-dosage-forms grew by 4.0% and 18.2% respectively, compared with the corresponding period of last year. The activities conducted for sales of specific medicines mainly included further strengthening academic promotion and brand building, striving to build a specialized sales team focusing on academic promotion, establishing a distinct marketing model, seizing opportunities to improve the development of and product promotion in markets with weak presence, and speeding up expansion into markets without presence. With respect to international operations, the Group strived to facilitate its expansion of overseas markets and its collaboration with international pharmaceutical giants, which had effectively boosted the Company's internationalization progress and planning of overseas markets.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2013, declarations for registration of eight items were filed to the State and/or Provincial Food and Drug Administration (including application for production of one item, supplementary applications for four items and applications for re-registration of three items). Approvals for application of re-registration of four items and supplementary application for three items had been granted.

HONOURABLE RECOGNITION DURING FIRST HALF OF 2013

An invention patent was granted to Suzhou Dawnrays Pharmaceutical Co., Ltd. in May 2013, being the preparation method of dual slow-release potassium citrate sustained release preparation (authorization no. ZL201110433102.9).

CONSTRUCTION PROJECT OF PRODUCTION FACILITIES

The first phase construction project in Hedong Industrial Park of Suzhou Dawnrays Pharmaceutical Co., Ltd. had been completed and entered the phase of new GMP certification.

The antibiotics production workshop of Suzhou Dawnrays Pharmaceutical Co., Ltd. is in the process of adaptive renovation in line with new GMP requirements.

OUTLOOK

Since China's announcement of the new GMP implementation plan last year, the Company had sped up its renovation and construction of workshops as scheduled. In the absence of material adverse developments, the Group's antibiotics and specific medicines are expected to successively pass new GMP certifications by late this year or early next year, and the Group expects to supply high quality products meeting new GMP requirements to the market within the prescribed time limit. In the second half of 2013, the Group aims to maintain its strong sales of its existing specific medicines, continue to further market development and enhance marketing in order to achieve better sales performance.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the six months ended 30 June 2013, the Group recorded a turnover of approximately RMB446,911,000, representing an increase of RMB50,949,000, or 12.9%, compared with the corresponding period of last year. The increase in turnover was primarily attributable to the rapid growth of sales of specific medicines as well as the fact that sales of the cephalosporin antibiotics started to stabilize over time. Sales of specific medicines increased by approximately RMB39,930,000, representing an increase of 26.9% compared with the corresponding period of last year. Sales of the cephalosporin antibiotics product line grew by RMB10,879,000, representing an increase of 4.5% compared with the corresponding period of last year.

Sales of finished drugs, comprising specific medicines, powder for injection and tablets of cephalosporin antibiotics and other oral solid-dosage-forms of antibiotics, reached approximately RMB259,683,000. Sales of the "An" (安) series for treating hypertension accounted for 46.4% of sales of finished drugs, representing an increase of 14.3% compared with the corresponding period of last year. Sales of "Leiyide" (雷易得) for treating hepatitis B accounted for 17.6% of sales of finished drugs, representing an increase of 69.1% compared with the corresponding period of last year. Sales of "Xikewei" (西可韋) and "Xikexin" (西可新) for treating allergies accounted for 6.6% of sales of finished drugs, representing an increase of 45.3% compared with the corresponding period of last year.

Among the cephalosporin antibiotics product line, sales of intermediates and bulk medicines of cephalosporin antibiotics grew by 19.7% compared with the corresponding period of last year. As for finished drugs, sales of cephalosporin antibiotics powder for injection declined by 27.6% compared with the corresponding period of last year, and sales of oral cephalosporin antibiotics increased by 52.0% compared with the corresponding period of last year.

Export sales accounted for approximately 8.0% of the total turnover. The export destinations include more than ten countries including India, Russia and Switzerland.

TABLE OF TURNOVER ANALYSIS

PRODUCT	TURNOVER (RMB'000)			SALES BREAKDOWN (%)		
	For the six months ended 30 June			For the six months ended 30 June		
	2013	2012	Changes	**2013**	2012	Changes
Intermediates and Bulk Medicines	**187,228**	156,469	30,759	**41.9**	39.5	+2.4
Finished Drugs	**259,683**	239,493	20,190	**58.1**	60.5	- 2.4
Overall	**446,911**	395,962	50,949	**100.0**	100.0	0.0

Gross profit was approximately RMB188,304,000 and gross profit margin was continually increased by 2.9 percentage points to 42.1% from 39.2% as in the corresponding period of last year. The main reason for the increase in gross profit margin was attributable to further increase in the sales shares of specific medicines. The sales shares of specific medicines increased to 42.2% from 37.5% as in the corresponding period of last year, which further optimized the product portfolio. The gross profit had a year-on-year increase of RMB32,902,000.

EXPENSES

During the period, total expenses incurred were approximately RMB98,589,000, equivalent to 22.1% of turnover (2012: 22.0%). Total expenses increased by approximately RMB11,501,000 compared with the corresponding period of last year, which was mainly attributable to a year-on-year increase of RMB9,633,000 in the selling expenses. Such increase was derived from an increase in the marketing costs.

SEGMENT PROFIT

For the period of six months ended 30 June 2013, segment results of intermediates and bulk medicines segment recorded losses of approximately RMB3,214,000, representing a year-on-year decrease of approximately RMB9,812,000 compared with the segment results which was losses of RMB13,026,000 for the first half of 2012. The segment profit of finished drugs segment were approximately RMB133,866,000, representing a year-on-year increase of approximately RMB15,795,000 compared with the first half of 2012 which was RMB118,071,000.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the six months ended 30 June 2013, profit attributable to owners of the parent amounted to approximately RMB78,223,000, equivalent to an increase of RMB20,329,000 or 35.1% compared with the corresponding period of last year. Such increase was mainly because additional profits arose from the relatively fast growth in sales of specific medicines.

ANALYSIS ON THE RETURN ON ASSETS

As at 30 June 2013, net assets attributable to owners of the parent were approximately RMB1,027,925,000. Net return on net assets, which is defined as the profit attributable to owners of the parent divided by net assets attributable to owners of the parent, was 7.6% (2012: 6.2%). The current ratio and quick ratio was 1.64 and 1.36 respectively. Turnover days for trade receivables were approximately 69 days. The turnover days for inventories were approximately 125 days.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group held readily available cash and cash equivalents of approximately RMB194,384,000 (as at 31 December 2012: RMB155,694,000). During the period, the net cash flows from operating activities was approximately RMB103,338,000 (2012: RMB101,492,000). Net cash flows used in investing activities was approximately RMB34,746,000 (2012: RMB90,109,000). Net cash flows used in financing activities was approximately RMB28,598,000 (2012: -RMB45,393,000).

As at 30 June 2013, the debt ratio (defined as sum of interest-bearing bank loans over total assets) of the Group was 14.0% (as at 31 December 2012: 12.9%). As at 30 June 2013, the Group has a mortgage loan of HK$14,397,000 and short term bank loans of HK$280,750,000 in total, which are on a floating interest rate basis at the loan interest rate of HIBOR plus 1% to 2%. The time deposits of approximately RMB187,673,000, intra-group notes receivable amounting RMB71,000,000 and the Group’s PRC subsidiaries’ notes receivable of RMB14,562,000 were pledged to bank to secure captioned short term bank loans.

As at 30 June 2013, the Group had the inventory balance of RMB176,774,000 (as at 31 December 2012: RMB182,918,000).

As at 30 June 2013, the Group had aggregate bank facilities of approximately RMB1,130,349,000 (as at 31 December 2012: RMB1,074,813,000), of which, credit facilities of HK$159,750,000 were secured by corporate guarantee of the Company or its subsidiaries.

As at 30 June 2013, the Group's capital commitments amounted to approximately RMB160,708,000 (as at 31 December 2012: RMB153,050,000), which mainly derived from the construction of workshops for non-cephalosporin bulk medicines and solid-dosage-forms preparation in Hedong Industrial Park of Suzhou Dawnrays Pharmaceutical Co., Ltd. and the new GMP reconstruction works for cephalosporin powder for injection workshop and cephalosporin bulk medicines workshop. The Group has sufficient financial and internal resources to bear the capital expenditure.

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

FOREIGN EXCHANGE AND TREASURY POLICIES

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

STAFF AND REMUNERATION POLICY

As at 30 June 2013, the Group employed approximately 1,163 employees and the total remuneration was approximately RMB46,024,000 (2012: RMB41,110,000). The Group regards human resources as the most valuable assets and truly understands the importance of attracting and retaining high-performance employees. The remuneration policy is generally based on the references of market salary index and individual qualifications. The Group provides its employees with other fringe benefits, including defined contribution retirement schemes, share option scheme and medical coverage. The Group also offers some of its employees stationed in the PRC with dormitory accommodation.

CHARGES ON ASSETS

The Group's assets with net book value of approximately RMB227,018,000 were pledged to banks to secure credit facilities granted to its subsidiaries (as at 31 December 2012: RMB189,427,000), as at 30 June 2013.

CONTINGENT LIABILITIES

As disclosed in the Company's annual report 2012, a subsidiary of the Group was officially served for two litigation cases of disputes over the balance payment for a construction project in 2012. As at 30 June 2013, three hearings had been held for the two litigations. At present the court accepting the litigation case is in the process of organizing a third party auditing unit to proceed with the auditing of the final accounting for the completion of the project in accordance with the data confirmed by both sides of the plaintiff and defendant, including the relative completed final drawings and works contact records. Therefore the Company is currently unable to make reliable estimation with reasonable accuracy regarding the outcome of such litigations.

PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months period ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

To the best knowledge, information and belief of the Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the "Listing Rules") during the six months period ended 30 June 2013, other than code provision A.6.7 of the CG Code and the reason for deviation of which is explained below:

Code Provision A.6.7 of the CG Code- attendance of Non-executive Directors at general meetings
All Non-executive Directors (including Independent Non-executive Directors) attended the annual general meeting of the Company held on 24 May 2013 (the "AGM") other than one Independent Non-executive Director who was not in position to attend the AGM due to another business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code, throughout the six months period ended 30 June 2013.

AUDIT COMMITTEE

For the six months ended 30 June 2013, the Company had an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises of three independent non-executive directors of the Company as at the date of report.

The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 June 2013 have been reviewed by the audit committee before recommending it to the Board for approval.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday,16 September 2013 to Tuesday, 17 September 2013 (both days inclusive), for the purposes of ascertaining entitlements to the Company's interim dividend, during which period no transfer of shares will be registered.

Dividend warrants will be despatched to shareholders on or about Wednesday, 25 September 2013. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 13 September 2013.

APPRECIATION

The Company has been listed on the Stock Exchange for over a decade. I would like to take this opportunity to express my heart-felt gratitude for the encouragement and support from our shareholders. We will continue to develop various businesses featuring sound and pragmatic operating style and maintain sound financial resources, so as to seek reasonable returns for our shareholders.

Meanwhile, I would also like to express my appreciation for the coordination and support from all our directors, all management personnel and staff and business partners for my work during the period.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 22 August 2013

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.