

**DAWNRAYS PHARMACEUTICAL (HOLDINGS) LTD:
THIS COMPANY'S PROFITS ROSE
46,038 PERCENT IN THREE YEARS !**

Considering that the top Management of this Company knows zilch about the pharmaceutical industry, Dawnrays Pharmaceutical (Holdings) Ltd (Code: 2348, Main Board, The Stock Exchange of Hongkong Ltd) has done extraordinarily well in its 8 years of life.

In fact, the financial results for its Financial Year, ended December 31, 2002, is almost too good to believe.

Dawnrays Pharmaceutical was floated on the Main Board of The Stock Exchange of Hongkong Ltd on June 30, 2003, when it Offered 248 million, 10-cent Shares at a Premium of 93 cents per Share.

It Placed 223.20 million Shares, of which number, 175.20 million Shares were New Shares and 48 million Shares were termed, 'Sale Shares'.

The Public Offer Shares numbered 24.80 million Shares.

In respect of the Sale Shares, they were the Shares, held by the Chairperson, Ms Li Kei Ling, and her Executive Director, Mr Hung Yung Lai. These executives each sold 24 million Shares to Placees.

Dawnrays Pharmaceutical is engaged in the pharmaceutical industry in the People's Republic of China (PRC), proper, as opposed to the Hongkong Special Administrative Region (HKSAR) of the PRC.

The sales of just 3 of its products account for 74 percent of the total income of the Company.

These 3 products are cephalosporins, defined as being any of various, broad-spectrum antibiotics, closely related to the penicillins, originally derived from the fungus, *Cephalosporium Acremonium*.

According to Page 49 of the Prospectus, under the section, labelled, '**OVERVIEW AND BUSINESS MODEL**':

'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 ... The system specific medicines produced by the Group include anti-allergy drugs, digestive system drugs, cardiovascular system drugs, urinary system drugs and endocrine system drugs.'

This Company was established in December 1995 by the Chairperson, Ms Li Kei Ling, and Mr Hung Yung Lai, who is, now, as already stated, an Executive Director of the Company.

Neither Ms Li Kei Ling nor Mr Hung Yung Lai had any academic training in the pharmaceutical industry, with Mr Hung, holding a degree (unspecified) from Shanghai Conservatory of Music, it is stated at Page 93 of the Prospectus.

As for the Chairperson, she appears to have had little to no academic training in anything, since her credentials have not been stated, which must indicate that she has none.

However, as the following track-record results indicate, one cannot turn up one's nose at the following table, taken from Page 153 of the Prospectus:

	Financial Year ended December 31		
	2000	2001	2002
	All Figures are Denominated in Renminbi '000 (except where otherwise specified)		
Turnover	58,508	176,718	327,924
Cost of Sales	(25,462)	(80,350)	(155,617)
Gross Profit	33,046	96,368	172,307
Gross Profit Margin*	56.48 percent	54.53 percent	52.54 percent
Other Revenue	2,073	1,588	527
Selling and Distribution Costs	(23,451)	(36,387)	(52,305)
Administrative Costs	(6,713)	(5,591)	(10,643)
Other Operating Costs	(2,115)	(5,110)	(8,767)
Profit from Operating Activities	2,840	50,868	101,119
Finance Costs	(2,719)	(2,165)	(521)
Profit before Income Tax	121	48,703	100,598
Income Tax Expense	Nil	Nil	Nil
Profit before Minority Interests	96	(435)	(479)
Net Profit Attributable to Shareholders	217	48,268	100,119
Net Profit Margin*	0.37 percent	27.31 percent	30.53 percent

* These are **TARGET**'s calculations

The Year-to-Year increase between 2001 and 2002 was boosted by a one-off gain, derived from *'proceeds from disposal of an available-for-sale investment'* (6.67 million renminbi) and *'proceeds from disposal of property, plant and equipment'* (1,006,000 renminbi). (Page 170 of the Prospectus, under *'Cash flows from investing activities'*).

During the 2002 Financial Year, shareholders pumped in another 10.33 million renminbi into the Company, it is shown at Page 170.

The above 3 paragraphs explain the fact that financing costs in 2002 were only 521,000 renminbi, compared with about 2.17 million renminbi, paid out in the 2001 Financial Year in order to service debt.

Also, in respect of the matter of debt, it stood at about 17 million renminbi, as at April 30, 2003, Page 103 of the Prospectus states.

The total facilities, available to Dawnrays Pharmaceutical by its bankers, are about 325 million renminbi. (Page 104)

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