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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 2016

FINANCIAL HIGHLIGHTS

Unaudited	**For the six months ended 30 June**		
	2016	**2015**	Change
Revenue (RMB'000)	**418,449**	488,755	-14.4%
Gross Profit (RMB'000)	**255,703**	304,440	-16.0%
Gross Profit Margin	**61.1%**	62.3%	-1.2 percentage points
Profit before tax (RMB'000)	**165,077**	191,698	-13.9%
Profit for the period attributable to owners of the parent (RMB'000)	**131,480**	154,260	-14.8%
Net Profit Margin	**31.4%**	31.6%	-0.2 percentage points
Earnings per share - basic (RMB)	**0.1638**	0.1920	-14.7%
Interim dividend per share (HK$)	**0.03**	0.03	0.0%

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016 (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$0.03 per share for the year ending 31 December 2016, approximately amounting to a total sum of HK$24,074,000 (approximately equivalent to RMB20,673,000).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	*RMB'000*
REVENUE	3	**418,449**	488,755
Cost of sales		**(162,746)**	(184,315)
Gross profit		**255,703**	304,440
Other income and gains	3	**11,497**	12,849
Selling and distribution expenses		**(47,342)**	(59,470)
Administrative expenses		**(28,911)**	(31,805)
Other expenses		**(25,793)**	(33,607)
Finance costs	4	**(77)**	(709)
PROFIT BEFORE TAX	5	**165,077**	191,698
Income tax expense	6	**(33,597)**	(37,438)
PROFIT FOR THE PERIOD		**131,480**	154,260
Attributable to:			
Owners of the parent		**131,480**	154,260
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– basic, for profit for the period		**RMB0.1638**	RMB0.1920
– diluted, for profit for the period		**RMB0.1636**	RMB0.1914

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**131,480**	154,260
Other comprehensive gain/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences	**649**	(20)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**649**	(20)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**132,129**	154,240
Attributable to:		
Owners of the parent	**132,129**	154,240

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2016 (Unaudited) RMB'000**	31 December 2015 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**519,595**	597,233
Land use rights		**40,692**	41,216
Construction in progress		**74,962**	4,304
Intangible assets		**18,290**	18,629
Deferred tax assets		**11,421**	9,131
Total non-current assets		**664,960**	670,513
CURRENT ASSETS			
Inventories	9	**160,962**	147,747
Trade and notes receivables	10	**257,666**	282,173
Prepayments, deposits and other receivables		**10,773**	13,830
Equity investments at fair value through profit or loss		**6,678**	3,683
Cash and bank		**765,840**	685,790
Total current assets		**1,201,919**	1,133,223
CURRENT LIABILITIES			
Trade and notes payables	11	**120,469**	143,128
Other payables and accruals		**164,307**	114,400
Interest-bearing bank loans		**8,501**	8,847
Income tax payable		**6,644**	18,050
Total current liabilities		**299,921**	284,425
Net current assets		**901,998**	848,798
Total assets less current liabilities		**1,566,958**	1,519,311
NON-CURRENT LIABILITIES			
Government grants		**2,683**	2,683
Deferred tax liabilities		**43,285**	42,752
Total non-current liabilities		**45,968**	45,435
Net assets		**1,520,990**	1,473,876

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued*)

		30 June	31 December
		2016	2015
		(Unaudited)	(Audited)
	Notes	**RMB'000**	*RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**85,004**	85,206
Reserves		**1,435,986**	1,388,670
Total equity		**1,520,990**	1,473,876

NOTES:

1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

1.1 Corporate and Group 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 address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is located at Units 3001-02, 30/F, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") underwent a reorganisation on 21 June 2003 to rationalise 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 (the "Stock Exchange"), pursuant to which the Company became the holding company of the Group (the "Group Reorganisation").

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

The Group was 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.

1.2 Basis of preparation

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 (collectively defined as the "interim financial information") have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim financial reporting and applicable disclosure requirements of the Rules Governing the listing of securities on 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 26 August 2016.

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 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) as issued by the International Accounting Standards Board ("IASB").

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those in the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the new and revised standards and interpretations effective on 1 January 2016, noted below:

1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (*Continued*)

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (*continued*)

(a) Revised standards adopted by the Group

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

(b) New and revised IFRSs not yet adopted

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]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customer*[2]
IFRS 16	*Leases* [3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but is available for adoption

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

2. SEGMENT INFORMATION

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

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

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

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

Segment assets exclude deferred tax assets, cash and bank, 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 2016 (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	94,406	324,043	-	418,449
Intersegment sales	35,819	-	(35,819)	-
	130,225	324,043	(35,819)	418,449
Segment Results	(6,793)	206,462	-	199,669
Reconciliation:				
Unallocated gains				11,329
Corporate and other unallocated expenses				(45,844)
Finance costs				(77)
Profit before tax				165,077

2. SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2015 (unaudited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Elimination of intersegment sales RMB'000	Total RMB'000
Segment Revenue:				
Sales to external customers	100,021	388,734	-	488,755
Intersegment sales	46,489	-	(46,489)	-
	146,510	388,734	(46,489)	488,755
Segment Results	(14,728)	246,016	-	231,288
Reconciliation:				
Unallocated gains				12,480
Corporate and other unallocated expenses				(51,361)
Finance costs				(709)
Profit before tax				191,698

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

As at 30 June 2016 (unaudited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Total RMB'000
Segment Assets:	442,759	537,428	980,187
Reconciliation:			
Corporate and other unallocated assets			886,692
Total assets			1,866,879

As at 31 December 2015 (audited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Total RMB'000
Segment Assets:	468,460	539,964	1,008,424
Reconciliation:			
Corporate and other unallocated assets			795,312
Total assets			1,803,736

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	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**418,449**	488,755
Other income		
Bank interest income	**5,526**	10,638
Dividend income from equity investments at fair value through profit or loss	**29**	32
Government grants	**1,376**	1,528
Foreign exchange gain	**3,946**	-
Others	**620**	438
	11,497	12,636
Gains		
Gain on disposal of equity investments at fair value through profit or loss	**-**	213
	11,497	12,849

4. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**77**	709

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold*	**162,746**	184,315
Depreciation	**24,731**	26,869
Recognition of land use rights **	**521**	521
Research and development costs:		
Amortisation of intangible assets ***	**294**	347
Current period expenditure	**14,912**	17,242
	15,206	17,589
Minimum lease payments under operating leases:		
Buildings	**551**	447
Employee benefit expense (including directors' and chief executive officer's remuneration) :		
Wages and salaries	**33,915**	39,171
Retirement benefits	**3,844**	3,527
Accommodation benefits	**1,778**	1,607
Other benefits	**5,467**	5,536
Equity-settled share option expense	**6,009**	2,696
	51,013	52,537
Foreign exchange differences, net	**(3,946)**	2,610
Reversal of impairment of property, plant and equipment	**(262)**	-
Write-down of inventories to net realisable value	**8,817**	12,755
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss	**408**	(223)
Bank interest income	**(5,526)**	(10,638)
Loss on disposal of items of property, plant and equipment	**159**	103
Gain on disposal of equity investments at fair value through profit or loss	**-**	(213)

* The depreciation of RMB20,346,000 (2015: RMB22,031,000) for the period is included in "Cost of inventories sold".

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

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

6. INCOME TAX

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax		
Current income tax charge	**25,885**	30,162
Adjustments in respect of current income tax in previous years	**(9)**	-
Deferred income tax	**7,721**	7,276
Total tax charge for the period	**33,597**	37,438

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	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Dividend pertaining to the prior year declared in the six months ended 30 June	**80,653**	54,745
Interim – HK$0.03 (2015: HK$0.03) per ordinary share	**20,673**	20,096

On 26 August 2016, the Company declared an interim dividend for the year ending 31 December 2016, at HK$0.03 per share, amounting to a total sum of approximately HK$24,074,000 (approximately equivalent to RMB20,673,000).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the profit for the period attributable to ordinary equity holders of the parent of RMB131,480,000 (2015: RMB154,260,000) and the weighted average number of 802,880,044 ordinary shares (2015: 803,628,597 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 RMB131,480,000 (2015: RMB154,260,000) and the weighted average number of 803,682,241 ordinary shares (2015: 805,849,960 ordinary shares) in issue during the period after adjusting for the effect of dilutive options.

9. INVENTORIES

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) *RMB'000*
At cost or net realisable value:		
Raw materials	**28,320**	32,492
Work in progress	**46,675**	46,086
Finished goods	**85,967**	69,169
	160,962	147,747

10. TRADE AND NOTES RECEIVABLES

An aged analysis of the trade receivables and notes receivable as at 30 June 2016, net of provisions, is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) *RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	**101,600**	99,219
Between 91 and 180 days	**4,863**	12,019
Between 181 and 270 days	**9,157**	6,807
Between 271 and 360 days	**3,510**	-
	119,130	118,045
Notes receivable	**138,536**	164,128
	257,666	282,173

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

11. TRADE AND NOTES PAYABLES

An aged analysis of the trade payables and notes payable as at 30 June 2016 is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) *RMB'000*
Outstanding balances with ages:		
Within 90 days	**97,417**	101,515
Between 91 and 180 days	**21,075**	39,290
Between 181 and 270 days	**85**	389
Between 271 and 360 days	**24**	43
Over one year	**1,868**	1,891
	120,469	143,128

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

CHAIRMAN'S STATEMENT

RESULTS

The Group has recorded revenue of approximately RMB418,449,000 for the six months ended 30 June 2016 (2015: RMB488,755,000), representing a decrease of 14.4% as compared to the same period of 2015. Profit attributable to owners of the parent was approximately RMB131,480,000 (2015: RMB154,260,000), representing a decrease of 14.8% over the same period of 2015.

On 15 July 2016 the Company made an announcement "Business Updates – Termination of Master Agency Agreement" related to 0.5mg Leiyide (Entecavir Dispersible Tablets). In connection to the matter, the Group's sales management personnel have already directly and fully taken over the sales of "Leiyide". Simultaneously, in order to increase market management efficiency, the Group has already withdrawn general agency's stock product of "Leiyide" from the general agency while all accounting adjustments with respect to withdrawal of "Leiyide" products were recorded in the Group's profit or loss account for the six months ended 30 June 2016. Consequently, it brought a decrease in the Group's operating profits in the period compared with the same period over last year.

BUSINESS REVIEW AND PROSPECT

In the first half of 2016, China's pharmaceutical industry witnessed a continuous lower growth rate and faced a more challenging operating environment. In recent years, various significant policies related to the pharmaceutical industry have been issued in quick succession, and have successively entered into the substantial implementation phase. Such policies imposed stricter requirements mainly on quality safety, price structure and supply system of pharmaceuticals, thus improved China's pharmaceutical industry to the international level, which indirectly caused the pharmaceutical enterprises to input higher operating costs to maintain their qualifications for participating in market operations. Therefore, under the continuous and considerable operating pressure, Chinese pharmaceutical enterprises, which usually regard production and sales of generic drugs as the main profitability model, would face the difficulties in different degrees, leading to the slowdown in profit growth of the industry.

The Group's profit decreased somewhat in the first half of 2016 compared with the corresponding period of last year. Among the two business segments, losses were still recorded for intermediates and bulk medicines, but the amount of losses diminished. As for the business of finished drugs, overall performance of powder for injections was still slack as the antibiotics market was continuously affected by the management policy for clinical application, with its sales volume and amount both declined compared with the corresponding period in the first half of 2015. But the sales volume and amount of oral cephalosporin antibiotics remained continuous growth. As for the business of system specific medicines (main composition product of finished drugs), sales of many varieties of the Group's specific medicines maintained an overall favorable momentum in the first half of 2016 under the fiercer market competition circumstances. However, due to the transformation of sales model, sales volume and amount of a particular product needed to be adjusted during the transition period, thus affected the overall performance of the Group's finished drugs, which decreased somewhat compared with the corresponding period of 2015.

Amid the complicated economic situation in China, the pharmaceutical industry also faces a wide variety of pressure, but its growth rate remains at the forefront among all industries, and China's pharmaceutical industry still enjoys great development opportunities in the long run. The Group will keep a close eye on the medical and pharmaceutical policies issued by the government from time to time, and strive to conduct the following tasks effectively according to the business development status:

1) In terms of cephalosporin antibiotics, considering the slow growth of the overall market consumption capacity under the excessive competition status of the industry, the Group has a clear understanding that high quality and competitive price are key factors that lead to sustained sales of the products in China's present antibiotics market. In view of this, the Group will make efforts to optimise production technology and improve product quality, and at the same time adopt feasible measures to control the cost strictly so as to improve competitiveness of this category of product.

2) Along with the upgrade of China's pharmaceutical industry, innovation of product and technology is the only way to achieve sustained growth for pharmaceutical enterprises. The Group will continue to strengthen quality construction of its R&D workforce, deepen collaboration with all kinds of external scientific research institutions, appropriately invest R&D resources, and develop products with great potentiality in consideration of product mix of the Group and market demands.

3) For recent years, industry policies issued by the government have made China's pharmaceutical enterprises face enormous expenditure. For example, due to the implementation of new GMP policy several years ago as well as the requirements for quality and curative effect consistency evaluation of generic drugs recently, the enterprises need to input considerable financial resources in relevant work, so as to meet the statutory requirements of the government. With healthy financial position, the Group currently has internal resources to afford various expenditures. To maximize the benefits of input resources and accurately monitor the impacts probably caused by various government industry policies, the Group must enhance its management team and optimize management systems and rules so as to improve the business management level and efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

PRODUCTION AND SALES

During the six months ended 30 June 2016, the Group's production and sales volume of intermediates and bulk medicines decreased by 8.5% and 7.8% respectively in comparison to the corresponding period of last year. As for the segment of finished drugs, the production and sales volume of cephalosporin powder for injection decreased by 61.5% and 15.0% respectively over the same period of last year. Production of other finished drugs of solid-dosage-forms decreased by 16.0% in comparison to the corresponding period of last year, while its sales volume was flat compared with last year.

NEW PRODUCTS AND PATENT LICENSING

In the first half of 2016, a total of 15 declarations for registration were filed with the Jiangsu Provincial Food and Drug Administration (including 7 supplementary applications for approval or record and 8 applications for re-registration);

In the first half of 2016, a total of 15 approval documents were obtained (including 6 approval documents for supplementary application for record, 7 re-registration approval documents and 2 documents for issuing drug standards).

HONORS AWARDED IN 2016

1) In February 2016, "Leiyide" (雷易得) Brand Entecavir Dispersible Tablets was recognized as Famous Brand Product of Jiangsu Province by Jiangsu Provincial Brand Strategy Promotion Committee.
2) In May 2016, Suzhou Dawnrays Pharmaceutical Co., Ltd. was honored as one of the "Top Ten Excellent Enterprises of Jiangsu Province".

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the six months ended 30 June 2016, the Group recorded a turnover of approximately RMB418,449,000, representing a decrease of RMB70,306,000, or 14.4%, compared with the corresponding period of last year. The decrease in turnover, was primarily attributable to the Group's termination of Master Agency Agreement for 0.5mg Leiyide and withdrawal of goods from the general agency.

During the first half of 2016, sales of system specific medicines decreased by approximately RMB54,458,000, representing a decrease of 15.8% compared with the corresponding period of last year. Sales of the cephalosporin antibiotics product line decreased by approximately RMB9,557,000, representing a decrease of 7.0% compared with the corresponding period of last year.

Sales amount of finished drugs, comprising system specific medicines, powder for injection and tablets of cephalosporin and other oral solid-dosage-forms of antibiotics, reached approximately RMB324,043,000. Of which, sales amount of system specific medicines accounted for approximately 89.5% of sales of finished drugs. As for cephalosporin antibiotics product line, sales amount of intermediates and bulk medicines decreased by 5.6% compared with the corresponding period of last year, sales amount of cephalosporin powder for injection declined by 17.6% compared with the corresponding period of last year, and sales amount of oral cephalosporin increased by 12.8% compared with the corresponding period of last year.

Export sales amount accounted for approximately 11.3% of the total turnover. The export destinations mainly included countries and regions such as Switzerland, Hong Kong, South Korea and Russia etc.

Gross profit was approximately RMB255,703,000 which was decreased by RMB48,737,000 compared with the corresponding period of last year. Gross profit margin was 61.1% which was decreased by 1.2 percentage points compared with 62.3% as in the corresponding period of last year.

TABLE OF TURNOVER ANALYSIS

PRODUCT	TURNOVER (RMB'000)			SALES BREAKDOWN (%)		
	For the six months ended 30 June			For the six months ended 30 June		Percentage points
	2016	2015	Changes	**2016**	2015	Changes
Intermediates and Bulk Medicines	**94,406**	100,021	-5,615	**22.6**	20.5	2.1
Finished Drugs	**324,043**	388,734	-64,691	**77.4**	79.5	-2.1
Overall	**418,449**	488,755	-70,306	**100.0**	100.0	0.0

EXPENSES

During the period, the total expenses incurred were approximately RMB102,123,000, equivalent to 24.4% of turnover (2015:25.7%), a decrease of 1.3 percentage points compared with the corresponding period of last year. The total expenses decreased by approximately RMB23,468,000 compared with the corresponding period of last year and mainly attributed to the decrease in write-down of inventories to net realizable value and increase in foreign exchange gain due to the depreciation of Renminbi.

SEGMENT PROFIT

For the six months ended 30 June 2016, segment results of intermediates and bulk medicines segment recorded losses of approximately RMB6,793,000 representing a decrease of loss of RMB7,935,000 compared with segment results loss of RMB14,728,000 as in the first half of 2015. The segment profit of finished drugs segment was approximately RMB206,462,000, which was decreased by approximately RMB39,554,000 when compared with the segment profit of RMB246,016,000 as in the first half of 2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the six months ended 30 June 2016, profit attributable to owners of the parent amounted to approximately RMB131,480,000, equivalent to a decrease of RMB22,780,000 or 14.8% compared with the corresponding period of last year. Such decrease was mainly caused by the withdrawal of Leiyide products which reduced turnover and profit.

ANALYSIS ON THE RETURN ON ASSETS

As at 30 June 2016, net assets attributable to owners of the parent were approximately RMB1,520,990,000. The return on net assets, which is defined as the profit attributable to owners of the parent divided by net assets attributable to owners of the parent, was 8.6% (2015: 11.5%). The current ratio and quick ratio was 4.0 and 3.5 respectively. Turnover days for trade receivables were approximately 51 days. Turnover days for trade receivables including notes receivables were approximately 116 days. Turnover days for inventory were approximately 171 days. Turnover days for trade receivables and turnover days for inventory increased when compared with last year. It was mainly due to the withdrawal of Leiyide that reduced sales and increased inventory.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group held cash and bank balance approximately RMB765,840,000 (as at 31 December 2015: RMB685,790,000). During the period, the net cash flows from operating activities was approximately RMB182,820,000 (2015: RMB173,214,000). Net cash flows used in investing activities was approximately RMB11,093,000 (2015: RMB9,427,000). Net cash flows from financing activities was approximately RMB30,848,000 (2015: net cash flow used RMB18,392,000).

As at 30 June 2016, the Group had aggregate bank facilities of approximately RMB762,790,000 (as at 31 December 2015: RMB763,035,000), of which, bank facilities of HK$14,910,000 (as at 31 December 2015: HK$18,000,000) were secured by corporate guarantee of the Company. The Group's interest-bearing bank loan is a mortgage loan of HK$9,910,000 which is subject to the arrangement of floating interest rate. The loan interest rate is HIBOR plus 1.5%. As at 30 June 2016, the debt ratio (defined as sum of interest-bearing bank loans over total assets) of the Group was 0.5% (as at 31 December 2015: 0.5%).

As at 30 June 2016, the Group had inventory balance approximately RMB160,962,000 (as at 31 December 2015: RMB147,747,000).

As at 30 June 2016, the Group's capital commitments amounted to approximately RMB3,074,000 (as at 31 December 2015: RMB7,776,000), which mainly derived from the sewage treatment works of Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. The Group has sufficient financial and internal resources to bear the capital expenditure.

Save as aforesaid disclosure and the 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

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, except for the Group's mortgage loan is denominated in Hong Kong dollars and the Group pays dividends in Hong Kong dollars. Therefore, the foreign exchange risks are primarily with respect to Hong Kong Dollars.

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 2016, the Group employed 902 employees and the total remuneration was approximately RMB51,013,000 (2015: RMB52,537,000). The Group regards human resources as the most valuable assets and truly understands the importance of attracting and retaining high-performance employees. The remuneration policy is generally based on the references of market salary index and individual qualifications. The Group provides its employees with other fringe benefits, including defined contribution retirement schemes, share option scheme and medical coverage. The Group also offers some of its employees stationed in the PRC with dormitory accommodation.

CHARGES ON ASSETS

As at 30 June 2016, the Group's assets with net book value of approximately RMB30,441,000 (as at 31 December 2015: RMB29,821,000) were pledged to bank to secure the mortgage loan granted to its subsidiary.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liabilities.

PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months period ended 30 June 2016, the Company repurchased 2,440,000 shares of the Company's listed securities on The Stock Exchange of Hong Kong Ltd. at an aggregate consideration of HK$12,478,960 before expenses. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. The repurchased shares were subsequently cancelled. The monthly breakdown of shares repurchased during the period was as follows:

Month of Repurchase	Number of Shares repurchased	The highest price paid per share (HK$)	The lowest price paid per share (HK$)	Aggregate consideration paid (HK$)
January 2016	760,000	5.24	4.84	3,829,360
February 2016	1,680,000	5.39	4.97	8,649,600
Total	2,440,000			12,478,960

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months period ended 30 June 2016.

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 2016, except for the following deviation:

1. **Code Provision A.2.1 of the CG Code-The roles of chairman and chief executive officer should be separate and should not be performed by the same individual**

   Ms. Li Kei Ling, the Chairman of the Board, was appointed as the chief executive officer on 1 March 2015 which was a non-compliance to the Code Provision A.2.1. The Board believes that a balance of power and authority can be adequately ensured by the operation of the Board which comprises experienced and caliber individuals. However, in order to re-comply with Code Provision A.2.1 of the CG Code, Mr. Chen Shaojun has been appointed as the Company's CEO since 18 April 2016 and is delegated with the authority and responsibility for managing the Group's business operation and implementing the development strategies.

2. **Code Provision A.6.7 of the CG Code -Attendance of Non-executive directors at general meeting**

   Other than one Non-executive Director who was not in position to attend the annual general meeting of the Company held on 20 May 2016 (the "2016 AGM") due to an overseas commitment, all Non-executive Directors (including Independent Non-executive Directors) attended the 2016 AGM.

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Ms. Li Kei Ling, the Chairman of the Board, resigned as chief executive officer from 18 April 2016, details of the above change were set out in the announcement of the Company dated 18 April 2016.

Mr. EDE, Ronald Hao Xi, the Non-executive Director, resigned as the chief financial officer and company secretary of Biosensors International Group Ltd. with effect from 12 August 2016.

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 2016.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules to oversee the Group's financial reporting system, risk management and internal control systems. The audit committee comprises three independent non-executive directors of the Company as at the date of announcement.

The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 June 2016 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 Tuesday, 20 September 2016 to Wednesday, 21 September 2016 (both days inclusive), for the purpose of ascertaining entitlement to the Company's interim dividend, during which period no transfer of shares will be registered.

The record date for the purpose of determining shareholders' entitlement to the interim dividend is Monday, 19 September 2016. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 19 September 2016. Dividend warrants will be despatched to shareholders on or about Wednesday, 28 September 2016.

APPRECIATION

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

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 26 August 2016

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