

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW

1. Production & Sales Operation

For the year ended 31 December 2005, each of the Group's products in terms of production volume and sales volume recorded a growth over the corresponding period of last year. During 2005, a total of 585.4 tones of bulk medicine were produced, equivalent to an increase of 57.6% compared with the corresponding period of last year. Sales of bulk medicine achieved 376.3 tones, equivalent to an increase of 25% compared with the corresponding period of last year. A total of 155,328,000 vials of cephalosporin powder for injection were produced, equivalent to an increase of 81.1% compared with the corresponding period of last year. Sales of cephalosporin powder for injection achieved 151,653,000 vials, equivalent to an increase of 76.9% compared with the corresponding period of last year. A total of 11,176,000 boxes of generic drugs (system specific medicine) were produced, equivalent to an increase of 25.4% compared with the corresponding period of last year. Sales of generic drugs (system specific medicine) achieved 11,172,000 boxes, equivalent to an increase of 33.1% compared with the corresponding period of last year.

2. Products in the Pipeline

In 2005, the Group obtained 32 production permits for 20 species of products from the State Food and Drug Administration of the PRC. There are 4 new products, namely Jiedu Hupan Keli (解毒護肝顆粒), Cefpodoxime Proxetil (頭孢泊肟酯), Cefpodoxime Proxetil Tablets (頭孢泊肟酯片) and Cefpirome Sulfate for Injection (硫酸頭孢匹羅). A total of 9 clinical-trial permits and 14 pre-clinical-trial research projects were completed. The craftsmanship study and the quality assurance research-and-development of 23 projects were completed and their application for production permits were submitted.

3. Honourable Recognitions

Suzhou Dawnrays Pharmaceuticals Co. Ltd. was recognized by the Government of Jiangsu Province of the PRC as the top 100 High Technology Firms in the Jiangsu Province in January 2005.

業務回顧

一、生產銷售概況

本集團截至二零零五年十二月三十一日止各產品的產量及銷量均較二零零四年增長。本年內生產原料藥585.4噸，較上年增長57.6%，銷售原料藥376.3噸，較上年增長25%；生產粉針劑15,532.8萬瓶，較上年增長81.1%，銷售粉針劑15,165.3萬瓶，較上年增長76.9%；生產仿製藥(專科用藥)1,117.6萬盒，較上年增長25.4%，銷售仿製藥(專科用藥)1,117.2萬盒，較上年增長33.1%。

二、新產品情況

二零零五年共有20個品種獲得國家藥品食品監督管理局批准生產，獲生產批件32個，獲新藥證書4個，分別為解毒護肝顆粒、頭孢泊肟酯、頭孢泊肟酯片及硫酸頭孢匹羅；獲臨床批件9個；完成臨床前研究專案14個；完成工藝質量研究及臨床研究申報生產的項目23個。

三、2005年獲得之榮譽

蘇州東瑞製藥有限公司於二零零五年一月獲得江蘇省人民政府認定為2005年江蘇省百強高新技術企業之榮譽。

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4. Construction Projects for the Expansion of Production Facilities

In 2005, the Group's construction projects proceeded smoothly as scheduled:

Suzhou Dawnrays Pharmaceuticals Co. Ltd.:

The construction of the new cephalosporin bulk medicine workshop was completed and successfully passed the Good Manufacturing Practice ("GMP") by the Chinese National Standard. The production capability was rose by 450 tones per year.

The re-engineering project for the environmental pollution control system was completed and the China's national pollution control standard was achieved.

The re-engineering project for the quality assurance system was completed, so as to upgrade the quality-standard of our products.

About 90% of the overall construction of our new cephalosporin oral-form-preparations workshop was completed. The workshop was designed to achieve 50 million capsules and 50 million tablets of new products per year.

A new inventory warehouse was completed to cope with the increasing demand by the rapid growth of production capacity and sales and the requirement by the Pharmacopoeia People's Republic of China which stated in its 2005 edition that the inspection period of all the antibiotics medicine was increased from 7 days to 14 days from the date the finished products were made.

Suzhou Dawnrays Chemical Co. Ltd.:

The construction project of the pilot production workshop was completed. The workshop was designed to coordinate with our R&D centre to cope with the diversified and multiple steps of chemical reactions, the demand for pilot production and production in small batch size and to speed up the technology's capability for the transformation of raw materials to finished goods so as to upgrade the Group's R&D capability.

四、擴充生產設施專案建設

二零零五年度本集團工程項目建設專案在計劃中順利進行：

蘇州東瑞製藥有限公司：

新建頭孢原料藥車間已完成工程及通過GMP(藥品生產質量管理規範)驗證，並開始投產，現時頭孢產能每年增加450噸。

完成環保設施改造工程，及通過環保達標驗收。

完成質量控制改造工程，從而不斷提高產品質量。

新建口服頭孢製劑車間已完成工程總量的90%，產量達至每年5,000萬粒膠囊，及5,000萬片片劑。

建成新倉庫，配合產能和銷售的增加，以及二零零五年版中國國家藥典中抗菌素檢驗周期從7天延長到14天的要求。

蘇州東瑞化工有限公司：

中試車間工程已落成，此車間可配套研發，適合多類型和多步驟化學反應測試，對於中試和小批量的生產需要，更可加快技術轉化為產品，從而提升公司研發能力。

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5. Voluntary wind-up of Suzhou Dawnrays Pharmaceutical Technology Co. Ltd.

One of the Group's subsidiaries, Suzhou Dawnrays Pharmaceutical Technology Co. Ltd., and the R&D Centre of Suzhou Dawnrays Pharmaceuticals Co. Ltd. were both engaged in drugs and medical technological developments. In order to integrate internal resources and avoid overlapping of business operations, the Group voluntarily wound up Suzhou Dawnrays Pharmaceutical Technology Co. Ltd. in October 2005. The original staff and business operations of Suzhou Dawnrays Pharmaceutical Technology Co. Ltd. were taken over by the R&D Centre of Suzhou Dawnrays Pharmaceuticals Co. Ltd.

五、自願性結束蘇州東瑞藥物技術有限公司

集團其一附屬公司蘇州東瑞藥物技術有限公司，和蘇州東瑞製藥有限公司研發中心同時從事藥物技術研究和發展工作。為了集中資源，避免業務重疊，本集團在二零零五年十月自願性結束蘇州東瑞藥物技術有限公司。原蘇州東瑞藥物技術有限公司的人員和業務一律由蘇州東瑞製藥有限公司研發中心統一管理。

PROSPECTS

For the year 2006, the Group will continue to maintain its competitive advantage and create its shareholders' value by developing and executing a set of comprehensive strategies, namely enhancing the focus of R&D for new medicine, developing overseas sales, and reinforcing marketing and sales force in rural areas and small towns in Mainland China.

展望

集團將於二零零六年陸續執行一連串全面戰略計劃，包括加強培育新藥研發、繼續拓展海外出口銷售，及增強農村和小城鎮的市場營銷力度，繼續保持及增強公司核心競爭優勢，努力為各位股東創造價值。

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the year ended 31 December 2005, the Group has achieved the revenue of approximately RMB734,002,000, equivalent to an increase of 25.5% compared with the corresponding period of last year. The main reason for the significant increase of revenue is the approximate 76.9% growth of the sales quantity of powder for injection by a total of 65,917,000 vials, compared with the corresponding period of last year. In addition, the sales of generic drugs (system specific medicine) grew 33.1% by a total of 2,776,000 boxes, compared with the corresponding period of last year.

財務回顧

銷售及毛利

截至二零零五年十二月三十一日止，本集團實現營業額約人民幣734,002,000元，較上年增長25.5%。主要是粉針劑銷售數量較去年同期增長約76.9%，增加了約6,591.7萬瓶；仿製藥（專科用藥）銷售數量較去年同期增長約33.1%，增加了約277.60萬盒。

Gross profit was approximately RMB215,233,000, equivalent to an increase of 11.7% compared with the corresponding period of last year. Gross profit margin was 29.3% (2004: 32.9%). The main reasons for a decline in gross profit margin are as follows: firstly, an increase of the up-stream raw material costs; secondly, in response to the mandatory order of the retail price-cut on antibiotics by the National Development and Reform Commission of the PRC, the Group voluntarily carried the effect of lowering the ex-factory price of cephalosporin powder for injection with a view to increasing market share.

毛利額約人民幣215,233,000元，較上年增長11.7%。毛利率為29.3%（二零零四年：32.9%）。毛利率下跌主要原因如下：一是上游原輔料成本上漲帶來本集團原料藥生產成本增長；二為配合中國國家發展改革委員會的抗生素零售價格降低，本集團主動降低頭孢菌素粉針的出廠銷售單價以佔領更多的市場份額。

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For the year ended 31 December 2005, sales of bulk medicine amounted to RMB379,605,000, equivalent to an increase of 20% as compared with RMB316,225,000 of the corresponding period of last year. Sales of bulk medicine accounted for 51.7% of total sales (2004: 54.1%). Gross profit margin of bulk medicine was approximately 21.6% (2004: 20.1%).

Sales of powder for injection amounted to RMB289,666,500, equivalent to an increase of 33.5% as compared with RMB216,979,000 of the corresponding period of last year. Sales of powder for injection accounted for 39.5% of the total sales (2004: 37.1%). Gross profit margin of powder for injection was approximately 29.1% (2004: 42%).

Sales of generic drugs (system specific medicine) amounted to RMB64,731,200, equivalent to an increase of 25.6% as compared with RMB51,554,000 of the corresponding period of last year. Sales of generic drug (system specific medicine) accounted for 8.8% of the total sales (2004: 8.8%). Gross profit margin of the generic drugs (system specific medicine) was 75.3% (2004: 73.6%).

In 2005, the export sales were RMB39,505,900, equivalent to an increase of 87.4% as compared with RMB21,086,000 of the corresponding period of last year.

截至二零零五年十二月三十一日止，原料藥實現銷售收入人民幣379,605,000元，較上年的人民幣316,225,000元增長20%。原料藥佔總銷售額的比重為51.7%(二零零四年：54.1%)。原料藥毛利率約21.6%(二零零四年：20.1%)。

粉針劑實現銷售收入人民幣289,666,500元，較上年的人民幣216,979,000元增長33.5%，粉針劑佔總銷售額的比重為39.5%(二零零四年：37.1%)。粉針劑毛利率約29.1%(二零零四年：42%)。

仿製藥(專科用藥)的銷售為人民幣64,731,200元，較上年的人民幣51,554,000元增長25.6%，仿製藥(專科用藥)佔總銷售額的比重為8.8%(二零零四年：8.8%)。仿製藥(專科用藥)毛利率約75.3%(二零零四年：73.6%)。

於二零零五年，出口銷售額由上年的人民幣21,086,000元上升至本年度的人民幣39,505,900元，增長87.4%。

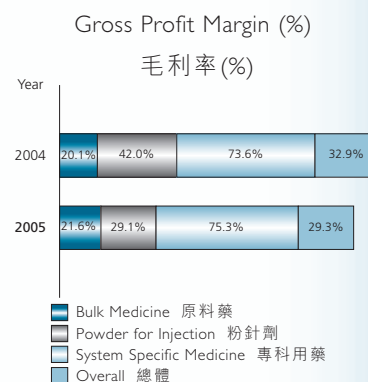
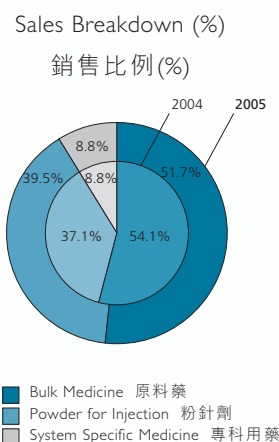
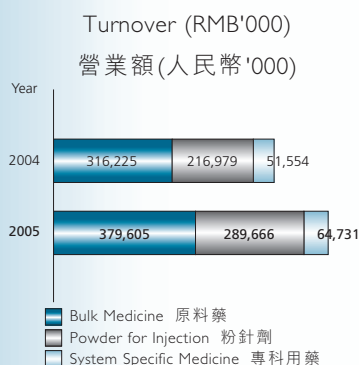
Table of Turnover Analysis

營業額分析－按產品劃分

Product	產品	Turnover (RMB'000) 營業額 (人民幣千元)		Sales Breakdown (%) 銷售比例 (%)		Gross Profit Margin (%) 毛利率 (%)	
		2005 二零零五年	2004 二零零四年	2005 二零零五年	2004 二零零四年	2005 二零零五年	2004 二零零四年
Bulk Medicine	原料藥	379,605	316,225	51.7%	54.1%	21.6%	20.1%
Powder for Injection	粉針劑	289,666	216,979	39.5%	37.1%	29.1%	42.0%
System Specific Medicine	專科用藥	64,731	51,554	8.8%	8.8%	75.3%	73.6%
Overall	總體	734,002	584,758	100%	100%	29.3%	32.9%

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EXPENSES

During the year 2005, the Group achieved the goal of a reinforced management and executed the financial planning and budgeting aimed at control over all expenditures, as the result of a decline in our operating expenses.

The total expenses incurred during the year 2005 were RMB111,243,000, equivalent to a decline of 0.6% compared with the corresponding period of last year. Total expenses as a percentage of turnover was 15.2% (2004: 19.1%), of which, selling and distribution costs amounted to RMB54,230,000, equivalent to a decline of 9.5% compared with the corresponding period of last year. Selling and distribution costs as a percentage of turnover was 7.4% (2004: 10.2%).

Administrative expenses and other operating expenses amounted to RMB56,811,000, equivalent to an increase of 9.2% compared with the corresponding period of last year. The administrative expenses and other operating expenses as a percentage of turnover was 7.7% (2004: 8.9%).

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

For the year ended 31 December 2005, net profit attributable to equity holders amounted to RMB105,646,000, equivalent to an increase of 38.2% compared with the corresponding period of last year.

費用

於二零零五年，集團實施費用預算管理，在事前和事中對費用進行控制，有效地降低了費用率。

年內，費用約共人民幣111,243,000元，較上年減少0.6%。佔營業額的比例為15.2%（二零零四年：19.1%），其中，銷售及分銷費用人民幣54,230,000元，較上年減少9.5%。佔營業額的比例為7.4%（二零零四年：10.2%）。

行政費用及其他經營費用共人民幣56,811,000元，較上年增長9.2%。佔營業額的比例為7.7%（二零零四年：8.9%）。

權益持有人應佔純利

截至二零零五年十二月三十一日止，權益持有人應佔純利約人民幣105,646,000元，較上年增加約38.2%。

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ANALYSIS ON THE RETURN ON ASSETS

As at 31 December 2005, net assets of the Group were approximately RMB488,314,000. Net return on net assets, which is defined as the net profit attributable to equity holders divided by net assets, was 21.6%. The turnover days for account receivables (including notes receivables), was approximately 117 days. The inventory turnover was approximately 85 days.

CASHFLOW

As at 31 December 2005:

1. Net cash inflows from operating activities were approximately RMB34,489,000;
2. Net cash outflow from investing activities amounted to RMB65,467,000;
3. Net cash outflow from financing activities amounted to RMB14,929,000.

As at 31 December 2005, the Group held RMB51,948,000 cash and cash equivalents.

LIQUIDITY, FINANCIAL RESOURCES, AND CAPITAL STRUCTURE

As at 31 December 2005, the Group's current assets were approximately RMB473,016,000 and current liabilities were approximately RMB255,996,000. Net current assets were approximately RMB217,020,000.

The debt ratio (defined as interest bearing loans and borrowings over total assets) of the Group as at 31 December 2005 was 2.4% (as at 31 December 2004: 0%).

As at 31 December 2005, the Group had aggregate bank facilities of approximately RMB450,000,000, with no asset being pledged to banks.

資產盈利能力分析

本集團於二零零五年十二月三十一日的淨資產約人民幣488,314,000元，淨資產收益率(界定為權益持有人應佔純利除以淨資產)為21.6%。應收帳款(含應收票據)周轉期約117日，存貨周轉期約85日。

現金流量

本集團於二零零五年十二月三十一日：

1. 經營性的現金流入淨額約人民幣34,489,000元；
2. 投資性的現金淨流出約人民幣65,467,000元；及
3. 籌資性的現金淨流出約人民幣14,929,000元。

本集團於二零零五年十二月三十一日的現金和現金等價物約人民幣51,948,000元。

流動資金、財政資源及資本架構

於二零零五年十二月三十一日，本集團流動資產約人民幣473,016,000元，流動負債約人民幣255,996,000元，流動資產淨值約人民幣217,020,000元。

於二零零五年十二月三十一日，本集團之負債比率(界定為計息貸款及借貸除以資產總值)為2.4%(二零零四年十二月三十一日：無)。

於二零零五年十二月三十一日，本集團有銀行信貸額度合共約人民幣450,000,000元，並沒有資產抵押給銀行。

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As at 31 December 2005, the Group's capital commitments were approximately RMB37,759,000 which will be funded by our adequate financial resources and the proceeds from internal resources. The projects mainly involve the oral-form cephalosporin bulk medicine workshop, re-engineering of the new cephalosporin oral-form-preparations workshop and the land purchase fee.

於二零零五年十二月三十一日，本集團的資本開支承諾約人民幣37,759,000元，主要涉及口服頭孢原料藥車間的建設以及口服頭孢製劑車間的改造工程和購買土地的支出等。本集團有充足的財政資源，內部資源足以支付其資本開支。

FINANCIAL MANAGEMENT, FINANCIAL INSTRUMENTS AND RISK OF EXCHANGE RATE

The Group implements a steady and prudent financial management strategy. Risks incurred during its business operation and financial operation are conducted with policies approved by the Board.

Substantially all of the Group's operation is 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.

HUMAN RESOURCES POLICY

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

財務管理、金融工具及匯率風險

本集團執行穩健審慎的財務策略，財務風險管理按董事會所批准的政策執行。

本集團絕大部分業務以人民幣進行交易，而目前人民幣尚不能自由兌換成外幣。

本集團的貨幣資產及負債一般以港幣、人民幣及美元列值。

由於其短期性，本集團的現金和現金等價物、貿易應收款及應付款、其他應收款及應付款、借款及應收應付關聯方均接近現值。

本集團未簽訂任何遠期外匯買賣合同或其他對沖工具進行對沖以規避匯率波動風險。本集團並無使用任何金融工具。

僱員政策

人力資源是本集團最寶貴財富，專業、務實、高效的管理團隊和員工隊伍是本公司最大的競爭優勢。本集團提供有競爭力的薪酬政策。

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As at 31 December 2005, the Group employed approximately 1,375 employees (as at 31 December 2004: approximately 1,200) with attractive remuneration and employee benefits such as defined contribution retirement schemes, share option scheme, and medical coverage. The Group provides some of its employees stationed in the PRC with dormitory accommodation, and makes monthly contribution to State unemployment insurance funds and State housing funds for the employees in the PRC. During the year 2005, staff costs amounted to RMB47,441,000 (as at 31 December 2004: RMB43,402,000).

The Company has adopted a share option scheme, under the share option scheme, the Eligible Persons as defined therein (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 of the Company in issue upon listing.

Options in respect of about 3.3% of issued shares of the Company as at 31 December 2005 has been granted by the Company to the Eligible Persons during the years 2004 and 2005.

CHARGE ON ASSETS

As at 31 December 2005, no asset of the Company was 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'.

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

CONTINGENT LIABILITIES

As at 31 December 2005, the Group had no material contingent liabilities (as at 31 December 2004: Nil).

於二零零五年十二月三十一日，本集團以優厚酬金及僱員福利水平僱用約1,375名僱員（二零零四年十二月三十一日：約1,200名僱員）。僱員福利包括定額供款退休計劃、購股權計劃及醫療福利。本集團為其部份中國職員提供宿舍，並為中國的僱員向國家失業保險基金及國家住房基金供款。年內，員工費用總額約人民幣47,441,000元（二零零四年十二月三十一日：人民幣43,402,000元）。

本集團已採納一項購股權計劃，根據該購股權計劃，合資格人士（包括本集團執行、非執行、及獨立非執行董事及僱員（不論全職或兼職））可獲授購股權。有權認購最多本公司於上市時已發行股份的10%。

於二零零四至二零零五年，本公司向合資格人士授出購股權以認購本公司於二零零五年十二月三十一日已發行股票的約3.3%股份。

資產抵押

於二零零五年十二月三十一日，本公司無任何資產抵押給銀行，以取得信貸額度。

未來重大投資及預期融資來源

本集團未來的重大投資計劃以及預期有關的融資來源詳情已於二零零三年六月三十日刊發的本公司招股章程「未來計劃及所得款項用途」一節載列。

除上文所披露者外，本集團並無任何未來重大投資計劃或購入資本資產計劃。

或有負債

於二零零五年十二月三十一日，本集團並無重大或有負債。（二零零四年十二月三十一日：無）。