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 2006

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2006	2005	Change
Unaudited	***RMB'000***	*RMB'000*	*%*
Turnover	**398,197**	311,002	28.0
Gross profit	**103,231**	101,700	1.5
Profit before tax	**48,207**	49,301	(2.2)
Net profit attributable to equity holders	**45,451**	47,014	(3.3)
Earnings per share-basic (RMB)	**0.0568**	0.0588	(3.4)
Interim dividend per share (HK$)	**0.015**	0.015	—

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

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 2006 (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$0.015 per share for the year ended 31 December 2006, amounting to a total sum of approximately HK$11,987,000 (equivalent to approximately RMB 12,400,000).

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited) and restated)
	Notes	***RMB'000***	*RMB'000*
TURNOVER	3	**398,197**	311,002
Cost of sales		**(294,966)**	(209,302)
Gross profit		**103,231**	101,700
Other income	3	**866**	1,154
Selling and distribution costs		**(24,936)**	(27,761)
Administrative expenses		**(18,992)**	(17,803)
Other expenses		**(11,443)**	(7,919)
Finance costs	4	**(519)**	(70)
PROFIT BEFORE TAX	5	**48,207**	49,301
Tax	6	**(2,711)**	(2,263)
PROFIT FOR THE PERIOD		**45,496**	47,038
Attributable to:			
Equity holders of the parent		**45,451**	47,014
Minority interest		**45**	24
		45,496	47,038
DIVIDENDS	7	**12,400**	12,779
EARNINGS PER SHARE	8		
– basic		**RMB0.0568**	RMB0.0588
– diluted		**RMB0.0567**	RMB0.0588

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2006	31 December 2005
		(Unaudited)	(Audited)
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**242,144**	223,927
Land use rights		**13,356**	13,511
Construction in progress		**1,561**	19,561
Intangible assets		**15,875**	15,038
		272,936	272,037
CURRENT ASSETS			
Inventories		**156,932**	159,836
Trade receivables	9	**149,004**	147,663
Notes receivables	9	**164,394**	91,842
Prepayments, deposits and other receivables		**22,615**	20,860
Financial assets at fair value through profit or loss		**734**	867
Cash and cash equivalents		**38,027**	51,948
		531,706	473,016
CURRENT LIABILITIES			
Trade payables	10	**45,018**	41,119
Notes payables	10	**171,483**	163,141
Interest-bearing loansand borrowings		**59,205**	17,626
Income tax payable		**1,950**	—
Other payables and accruals		**21,340**	34,110
		298,996	255,996
Net current assets		**232,710**	217,020
Total assets lesscurrent liabilities		**505,646**	489,057
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**84,791**	84,880
Reserves		**420,116**	374,307
Proposed final dividend		**—**	29,127
		504,907	488,314
Minority interest		**739**	743
Total equity		**505,646**	489,057

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated balance sheet as at 30 June 2006 and the related condensed consolidated income statement, cash flow and changes in equity for the six months ended 30 June 2006 (the "period") (collectively defined as "Interim Financial Information") of the Company and its subsidiaries (collectively, the "Group") are prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. 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 accounting policies and basis of preparation adopted in the preparation of the Interim Financial Information are the same as those used in the 2005 annual report of the Group dated 28 March 2006, except in relation to the following new standards, amendments and interpretations (hereafter collectively referred to as the "new IFRSs"), which are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006.

IAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
IAS 21 Amendment	Net Investment in a Foreign Operation
IAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 Amendment	The Fair Value Option
IAS 39 & IFRS 4 Amendments	Financial Guarantee Contracts
IFRSs 1 & 6 Amendments	First-time Adoption of IFRSs and Exploration for and Evaluation of Mineral Resources
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC - Int 4	Determining whether an Arrangement contains a Lease
IFRIC - Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC - Int 6	Liabilities arising from Participating in a Specific Market –Waste Electrical and Electronic Equipment

The adoption of the above new IFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements.

The Group has not early applied the following new IFRSs, that have been issued but are not yet effective, to the financial statements.

IAS 1 Amendment	Capital Disclosures [1]
IFRS 7	Financial Instruments: Disclosures [1]
IFRIC - Int 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies [2]
IFRIC - Int 8	Scope of IFRS 2 [3]
IFRIC - Int 9	Reassessment of Embedded Derivatives [4]
IFRIC - Int 10	Interim Financial Reporting and Impairment [5]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 March 2006.
3 Effective for annual periods beginning on or after 1 May 2006.
4 Effective for annual periods beginning on or after 1 June 2006.
5 Effective for annual periods beginning on or after 1 November 2006.

Except IAS 1 Amendment, the Group expects that the adoption of these new IFRSs will not have any significant impact on the Group's financial statements.

2. SEGMENT INFORMATION

The Group's turnover and profit were mainly derived from the sale of medicines by the Mainland China subsidiaries to customers in the Mainland China. The principal assets employed by the Group are located in the Mainland China. Accordingly, no segment analysis by business and geographical segments is provided.

3. TURNOVER AND OTHER INCOME

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited and restated)
	RMB'000	*RMB'000*
Turnover		
Sale of goods	**398,365**	311,089
Less: Business tax and government surcharges	**(168)**	(87)
	398,197	311,002
Other income		
Interest income from bank balances	**519**	512
Dividend income from financial assets at fair value through profit or loss	**2**	—
Government grants	**20**	200
Gain on disposal of financial assets at fair value through profit or loss	**124**	—
Others	**201**	442
	866	1,154

4. FINANCE COSTS

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans	**519**	70

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of the inventories sold	**294,966**	209,302
Depreciation	**10,737**	8,170
Amortization of land use rights *	**153**	153
Research and development costs:		
Deferred expenditure amortised **	**392**	429
Current period expenditure	**7,391**	7,225
	7,783	7,654
	313,639	225,279
Minimum lease payments under operating leases:		
Land and buildings	**633**	486
Employee benefit expense (including directors' remuneration) :		
Wages and salaries	**21,784**	18,557
Retirement costs	**1,766**	727
Accommodation benefits	**666**	518
Equity-settled share option expense	**509**	2,145
	24,725	21,947
Foreign exchange differences, net	**496**	50
Write-back of inventories to net realisable value	**(671)**	—
Realised and unrealised (gains)/losses, net:		
Equity investments at fair value through profit or loss	**(86)**	105
Loss on disposal of items of property, plant and equipment	**1,241**	413

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

** The amortization of deferred expenditure for the period is included in "Other expenses" on the face of the condensed consolidated income statement.

6. TAX

The income tax expense charged to the condensed consolidated income statement for the six months ended 30 June 2006 is as follows:

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax		
Hong Kong	**—**	—
The PRC	**2,973**	2,263
Over provision in previous year		
The PRC	**(262)**	—
	2,711	2,263

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period. The PRC corporate income tax has been 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.

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

7. DIVIDENDS

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Dividend pertaining to the prior year declared in the six months ended 30 June	**29,127**	19,543
Interim – HK$0.015 (2005: HK$0.015) per ordinary share	**12,400**	12,779
	41,527	32,322

On 22 August 2006, the Company declared an interim dividend for the year ending 31 December 2006, at HK$0.015 per share, amounting to a total sum of approximately HK$11,987,000 (equivalent to approximately RMB12,400,000).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2006 is based on the net profit attributable to ordinary equity holders of the parent of RMB45,451,000 (2005: RMB47,014,000) and the weighted average number of 800,020,552 ordinary shares (2005: 800,000,000 ordinary shares) in issue during the period.

The calculation of diluted earnings per share for the period is based on the net profit attributable to ordinary equity holders of the parent of RMB45,451,000 and the weighted average number of 801,307,004 ordinary shares in issue during the period after adjusting for the effect of dilutive options.

The employee share options outstanding during the period ended 30 June 2005 had no potential dilutive effect on the basic earnings per share.

9. TRADE AND NOTES RECEIVABLES

An aged analysis of the trade and notes receivables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2006 (Unaudited) *RMB'000*	31 December 2005 (Audited) *RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	**121,303**	136,398
Between 91 and 180 days	**26,479**	10,224
Between 181 and 270 days	**870**	792
Between 271 and 360 days	**180**	35
Over one year	**172**	214
	149,004	147,663
Notes receivables		
Outstanding balances with ages:		
Within 90 days	**126,093**	58,498
Between 91 and 180 days	**38,301**	33,344
	164,394	91,842
	313,398	239,505

The Group's trading terms with its customers are mainly on credit. Invoices are normally payable within one month of issue, except for major customers, where the terms are extended to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

10. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2006 (Unaudited) *RMB'000*	31 December 2005 (Audited) *RMB'000*
Trade payables		
Outstanding balances with ages:		
Within 90 days	**44,074**	36,663
Between 91 and 180 days	**486**	3,761
Between 181 and 270 days	**137**	291
Between 271 and 360 days	**74**	152
Over one year	**247**	252
	45,018	41,119
Notes payables		
Outstanding balances with ages:		
Within 90 days	**112,380**	72,132
Between 91 and 180 days	**59,103**	91,009
	171,483	163,141
	216,501	204,260

Trade payables are non-interest-bearing and are normally settled on 90-day terms.

11. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the current period's presentation.

CHAIRMAN'S STATEMENT

BUSINESS HIGHLIGHTS

The Group's turnover of bulk medicines increased by 60.4% and powder for injections decreased by 9.3% in the first six months of 2006 compared with the corresponding period of previous year. However, with the impact of the public policy arising from the mandatory order of reducing the retail price of antibiotics by the National Development and Reform Commission of PRC during the second half of 2005, gross profit margin for antibiotic products of the Group further decreased in the first half of 2006.

The raw material of the Group's cephalosporin antibiotic products is 7-ACA. According to the relevant market information, it is estimated that the supply of 7-ACA is in excess of the demand in China for 2006. Owing to the over supply, the price of 7-ACA has dropped significantly in the first half of 2006. Thus, the Group has neither entered into the development of the 7-ACA production plant, nor developed any strategy and business plans to enter into the 7-ACA industry. One advantage is that the Group will not bear any negative impact of the reduced margin arising from the over production of 7-ACA. Another advantage is that the Group is in a highly flexible position and can purchase 7-ACA from various Chinese suppliers as well as from the overseas suppliers at a favourable price. Nevertheless, the underlying changes in market conditions have intensified competition of similar products and resulting in the relative price drop.

As a result, the Group has adopted a business model for its cephalosporin antibiotic products with conscientious analysis techniques, enhanced production efficiency, and effective production cost-control.

The generic drugs (system specific medicines) have sustained a steady gross profit margin with an upward trend. Turnover of the generic drugs (system specific medicines) has increased by 64.9% for the first six months of 2006 compared with the corresponding period of previous year.

Overseas sales of the Group which accounted for about 6.7% of the total turnover have also increased by 62.8% for the first six months of 2006 compared with the corresponding period of previous year.

The net cash inflow from operating activities of the Group has increased by 73.0% for the first six months of 2006 compared with the corresponding period of previous year.

Meanwhile, the Group is in process of conducting prudent analysis on the current business conditions and a study on the newly emerged market environment in order to identify and ascertain the new direction of Group's investment and business development. This includes business models in reinforcing the expansion of overseas markets and exploring ideas in running traditional Chinese medicines (TCM).

The national power of China has surged progressively. The medical expenditures of the Chinese citizens, including those from the big cities and rural areas are increasing. In the long term, the China's pharmaceutical market will definitely become a huge and great potential market comparing with other pharmaceutical markets in the world. To grasp this great opportunity, the Group devotes itself to establishing highly-disciplined and effective corporate governance, attracting talents, striving to formulate a development strategy based on the actual measures of the Group to assure its sustainable and healthy development.

PROSPECTS

The Group continues its sustained development scope with a focus on antibiotic, cardiovascular system and diabetic products.

The Group has formulated a series of sophisticated marketing strategies for the second half of 2006, including further reinforcement of sales and marketing drive in rural areas and small towns, expanding the sales channels of generic drugs (system specific medicines) in community's hospitals, etc.

In the second half of 2006, the Group will formulate a set of strategic plans on new investment projects with high growth potential, such as analyzing opportunities for overseas markets and exploring TCM platforms, etc. We strive to create value for all the shareholders of the Company, by building new business platforms, extending product portfolios, and sustaining the competitive edge of the Company.

BUSINESS REVIEW

1. Production & Sales Operation

In the first half of 2006, each of the Group's products recorded a growth in terms of production and sales volume over the corresponding period of 2005. During the first half of 2006, 361.9 tones of bulk medicines were produced, which increased by 65.3% over the corresponding period of previous year, and sales volume of bulk medicines achieved 247.2 tones, which increased by 101.8% over the corresponding period of previous year. A total of 80,304,000 vials of cephalosporin powder for injections were produced, which increased by 3.5% over the corresponding period of previous year, and sales volume of cephalosporin powder for injections achieved 81,235,000 vials, which increased by 8.1% over the corresponding period of previous year. A total of 8,235,000 boxes of generic drugs (system specific medicines) were produced, which increased by 60.9% over the corresponding period of previous year. Sales volume of generic drugs (system specific medicines) achieved 8,427,000 boxes, which increased by 67.3% over the corresponding period of previous year.

2. Development of New Products

In the first half of 2006, the Group obtained 21 production permits for 14 species of products from the State Food and Drug Administration (SFDA) of the PRC. There were 9 certificates of new pharmaceutical products granted for anti-allergic bulk medicine "Levocetirizine Dihydrochloride", anti-allergic drug "Levocetirizine Dihydrochloride Tablets", anti-infective bulk medicine "Cefepime Dihydrochloride", anti-infective powder for injection "Cefepime Dihydrochloride for Injection" (totally in 3 strengths), endocrine system specific medicine "Metformin Hydrochloride Sustained-release Tablets", cardiovascular system specific medicine "Telmisartan" and digestive system specific medicine "Famotidine, Calcium Carbonate and Magnesium Hydroxide Chewable Tablets". The Group also received 2 clinical trials permits and completed 15 pre-clinical-trial research projects. Study of production technique and quality research and/or clinical research of 22 projects were completed and have been submitted for registration. The Group has completed pilot-production assessments for 4 cephalosporin products.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

During the six months ended 30 June 2006, the Group has recorded the total turnover of approximately RMB398,197,000, representing an increase of 28.0% as compared with the corresponding period of previous year. The main reason for the significant rise in turnover is the approximate increase of 60.0% in the turnover of bulk medicines, equivalent to an increase of RMB81,589,000 compared with the corresponding period of previous year. The growth was mainly due to the new bulk medicine workshop which completed and commenced production in June, 2005, resulting in an expansion of production capacity.

Gross profit was approximately RMB103,231,000, equivalent to an increase of 1.5% compared with the corresponding period of previous year. Gross profit margin was 25.9%, representing a decline of 6.8% as compared with 32.7% in the corresponding period of previous year. The main reasons for the decrease in gross profit margin are as follows: firstly, the fierce competition was further aggravated by the homogeneity of products; secondly, in response to the national public policy of the retail-drug-price cutting, the Group has taken the initiative in lowering the sales unit price of cephalosporin powder for injections to increase its market share. Sales volume of powder for injections increased by 8.1% as compared with corresponding period of previous year, whereas the average sales unit price and average sales unit cost decreased by 16.0% and 1.5% respectively, resulting in an overall decline of RMB20,542,000 of the gross profit contributed from powder for injections compared with corresponding period of previous year.

Table of Turnover Analysis

Product	Turnover *(RMB'000)*		Sales Breakdown *(%)*		Gross Profit Margin *(%)*	
For the six months ended 30 June	**2006**	2005	**2006**	2005	**2006**	2005
Bulk Medicines	**216,635**	135,046	**54.4**	43.4	**18.3**	25.5
Powder for Injections	**132,852**	146,418	**33.4**	47.1	**18.5**	30.8
Generic Drugs (System Specific Medicines)	**48,710**	29,538	**12.2**	9.5	**80.2**	74.9
Overall	**398,197**	311,002	**100.0**	100.0	**25.9**	32.7

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

During the period, the net profit attributable to equity holders was approximately RMB45,451,000, representing a decline of 3.3% compared with the corresponding period of last year. The reason for such decrease in net profit attributable to equity holders was mainly due to the decline in gross profit margin as well as an increase in other expenses.

During the period, the operating expenses incurred were approximately RMB55,890,000, equivalent to a rise of 4.4% compared with the corresponding period of last year. The total operating expenses as a percentage of turnover was 14.0% (2005: 17.2%).

Of which, selling and distribution expenses was approximately RMB24,936,000, equivalent to a decline of 10.2% compared with the corresponding period of last year. The selling and distribution expenses as a percentage of turnover was 6.3% (2005: 8.9%).

Administration expenses, other expenses and finance costs totaling approximately RMB30,954,000, which accounted for an increase of RMB5,162,000 and equivalent to a rise of 20.0% as compared with the corresponding period of last year. The increase of the total expenses was mainly due to increases of the salary, R&D expenses and bank interest expense.

ANALYSIS ON RETURN ON ASSETS

As at 30 June 2006, net assets of the Group were approximately RMB505,646,000. Return on net assets, which is defined as the net profit attributable to equity holders divided by net assets, was 9.0% (2005: 10.6%).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Group held cash and cash equivalents of approximately RMB38,027,000 (as at 31 December 2005: RMB51,948,000). The Group held inventories which amounted to RMB156,932,000 (as at 31 December 2005: RMB159,836,000) and trade and notes receivables amounted to RMB313,398,000 (as at 31 December 2005: RMB239,505,000), in which the trade receivables were almost equivalent to the ending balance of 31 December 2005, whereas notes receivables increased by RMB72,552,000. The trade payables and notes payables were amounted to RMB216,501,000 (as at 31 December 2005: RMB204,260,000). The Group had interest bearing loans and borrowings arising from discounted bills with recourse which would mature between July and October, 2006 amounted to RMB59,205,000 (as at 31 December 2005: RMB17,626,000). Up to the date of this report, the outstanding balance of such interest bearing loans and borrowings has been reduced to RMB32,328,000 due to repayment of those discounted bills upon maturity.

The debt ratio (defined as interest bearing loans and borrowings over total assets) of the Group as at 30 June 2006 was 7.4% (as at 31 December 2005: 2.4%).

The Group has always maintained sufficient liquidity, but for contingency purpose, the Group has arranged bank facilities. As at 30 June 2006, the Group has aggregated bank facilities of approximately RMB450,000,000 (as at 31 December 2005: 450,000,000).

During the period, net cash inflow from operating activities was approximately RMB 37,861,000 (as at 30 June 2005: RMB 21,881,000). Net cash outflow used in investing activities was approximately RMB 21,591,000 (as at 30 June 2005: RMB 35,985,000). Net cash outflow used in financing activities was approximately RMB 30,191,000 (as at 30 June 2005: RMB 19,643,000). As at 30 June 2006, the Group held cash and cash equivalents of approximately RMB 38,027,000.

As at 30 June 2006, the Group's capital commitment was approximately RMB49,549,000 (as at 31 December 2005: RMB37,759,000), which mainly derived from the new bulk medicine workshop for oral cephalosporin products, land purchase expenditures and environmental protection projects, etc. The Group has sufficient financial and internal resources to bear the capital expenditures.

FOREIGN EXCHANGE AND TREASURY POLICIES

Substantially all of the business activities, assets, liabilities of the Group are calculated in Renminbi, therefore 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 (if any) only if it will potentially impose a significant impact on the Group. The Group continues to observe the foreign exchange market, and may hedge against fluctuations with foreign exchange forward contracts if necessary.

STAFF AND REMUNERATION POLICY

As at 30 June 2006, the Group employed approximately 1,425 employees and the total remuneration was approximately RMB24,725,000 (2005: RMB21,947,000). The Group regards human resources as the most valuable assets and truly understands the importance of attracting and keeping 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 scheme, 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 2006, bank balances of RMB6,200,000 were pledged to banks to obtain credit facilities (as at 31 December 2005: Nil).

CONTINGENT LIABILITIES

As at 30 June 2006, the Group had no material contingent liabilities (as at 31 December 2005: Nil).

PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING

Save for those disclosed above in connection with capital commitment under the section "Liquidity and Financial Resources", the Group did 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 ended 30 June 2006, the Company repurchased 1,880,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK1,217,800 before expenses. The repurchased shares were subsequently cancelled. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (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 the Company's Directors, the Directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Company has 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 the three independent non-executive directors of the Company.

The unaudited condensed consolidated interim financial statements of the Company for the period ended 30 June 2006 have been reviewed by the audit committee before recommending it to the Board for approval.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2006.

CHANGE OF DIRECTOR

Mr. Zhang Jing Xing was resigned as an executive director of the Company with effect from 9 May 2006. The Board would like to thank Mr. Zhang for his contributions to the Company during the tenure of his service.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 September 2006 to Friday, 22 September 2006 (both days inclusive), during which period no transfer of shares will be registered.

Dividend warrants will be despatched to shareholders on or about Wednesday, 27 September 2006. 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, Abacus Share Registrars Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 19 September 2006.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 22 August 2006

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. Xu Kehan; one is Non-executive Director, Mr. Leung Hong Man; three are Independent Non-executive Directors, namely Mr. Pan Xue Tian, Mr. Lee Cheuk Yin Dannis and Mr. Choi Tat Ying Jacky.