



DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED

東瑞製藥（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 2007

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change %
	2007	2006	
	RMB'000	RMB'000	
Unaudited			
Turnover	437,202	398,197	9.8
Profit before tax	46,108	48,207	(4.35)
Net profit attributable to equity holders	41,356	45,451	(9.01)
Earnings per share-basic (RMB)	0.0516	0.0568	(9.15)
Interim dividend per share (HK\$)	0.015	0.015	—

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

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 2007 (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 2007, approximately amounting to a total sum of HK\$12,064,000 (approximately equivalent to RMB11,804,000).

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
TURNOVER	3	437,202	398,197
Cost of sales		<u>(339,226)</u>	<u>(294,966)</u>
Gross profit		97,976	103,231
Other income	3	1,076	866
Selling and distribution costs		(30,525)	(24,936)
Administrative expenses		(18,072)	(18,992)
Other expenses		(4,347)	(11,443)
Finance costs		<u>-</u>	<u>(519)</u>
PROFIT BEFORE TAX	4	46,108	48,207
Tax	5	<u>(4,712)</u>	<u>(2,711)</u>
PROFIT FOR THE PERIOD		<u>41,396</u>	<u>45,496</u>
Attributable to:			
Equity holders of the parent		41,356	45,451
Minority interest		<u>40</u>	<u>45</u>
		<u>41,396</u>	<u>45,496</u>
DIVIDENDS	6	<u>11,804</u>	<u>12,400</u>
EARNINGS PER SHARE	7		
– basic		RMB0.0516	RMB0.0568
– diluted		<u>RMB0.0513</u>	<u>RMB0.0567</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		232,016	240,741
Land use rights		13,050	13,204
Construction in progress		1,236	869
Goodwill		583	-
Intangible assets		16,316	15,362
Deferred tax assets		477	655
		<u>263,678</u>	<u>270,831</u>
CURRENT ASSETS			
Inventories	8	119,279	134,597
Trade and notes receivables	9	304,878	288,892
Prepayments, deposits and other receivables		26,176	16,029
Financial assets at fair value through profit or loss		5,302	3,965
Cash and cash equivalents		<u>67,718</u>	<u>44,023</u>
		<u>523,353</u>	<u>487,506</u>
CURRENT LIABILITIES			
Trade and notes payables	10	221,700	201,242
Bank advances for discounted bills		-	25,351
Income tax payable		2,441	1,212
Other payables and accruals		<u>19,108</u>	<u>17,485</u>
		<u>243,249</u>	<u>245,290</u>
Net current assets		<u>280,104</u>	<u>242,216</u>
Total assets less current liabilities		<u><u>543,782</u></u>	<u><u>513,047</u></u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		85,298	84,791
Reserves		457,721	413,812
Proposed final dividend		-	13,654
		<u>543,019</u>	<u>512,257</u>
Minority interest		<u>763</u>	<u>790</u>
Total equity		<u><u>543,782</u></u>	<u><u>513,047</u></u>

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2007 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board and applicable disclosure provisions of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

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

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006.

In 2007, the Group adopted the new standard, amendment and interpretations below, which are relevant to its operations.

IAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
IFRS 7	Financial Instruments: Disclosure

The Group has assessed the impact of the adoption of these new standard, amendment and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of IAS 1 (Amendment) and IFRS 7 requires additional disclosures to be made in the annual report.

The Group has not early applied the following new and revised standards and interpretations, that have been issued but are not yet effective, in these financial statements. The Group expects that the adoption of such standards and interpretations will not result in substantial changes to the Group's financial statements.

IFRS 8	Operating Segments
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IAS 23 (revised 23)	Borrowing costs

2. SEGMENT INFORMATION

The Group is principally engaged in one business segment, the manufacture and sale of medicines. The principal assets employed by the Group and most of the Group's operations are located in the Mainland China. Accordingly, no business segment and geographical segment is presented.

3. TURNOVER AND OTHER INCOME

	For the six months ended 30 June	
	2007	2006
	(Unaudited) RMB'000	(Unaudited) RMB'000
Turnover		
Sale of goods	<u><u>437,202</u></u>	<u><u>398,197</u></u>
Other income		
Bank interest income	478	519
Dividend income from financial assets at fair value through profit or loss	21	2
Government grants	50	20
Gain on disposal of financial assets at fair value through profit or loss	286	124
Others	<u>241</u>	<u>201</u>
	<u><u>1,076</u></u>	<u><u>866</u></u>

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of the inventories sold	339,226	294,966
Depreciation	11,566	10,737
Amortization of land use rights *	154	153
Research and development costs:		
Deferred expenditure amortised **	281	392
Current period expenditure	<u>5,845</u>	<u>7,391</u>
	<u>6,126</u>	<u>7,783</u>
Minimum lease payments under operating leases:		
Land and buildings	<u>789</u>	<u>633</u>
Employee benefit expense (including directors' remuneration) :		
Wages and salaries	22,073	21,784
Retirement costs	2,067	1,766
Accommodation benefits	706	666
Equity-settled share option expense	<u>386</u>	<u>509</u>
	<u>25,232</u>	<u>24,725</u>
Foreign exchange differences, net	228	496
Fair value gains, net:		
Financial assets at fair value through profit or loss	(526)	(86)
Loss on disposal of items of property, plant and equipment	<u>108</u>	<u>1,241</u>

* 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.

5. TAX

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax		
Current income tax charge	4,398	2,973
Under/(over) provision in previous year	136	(262)
Deferred income charge	178	-
	<u>4,712</u>	<u>2,711</u>

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.

6. DIVIDENDS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividend pertaining to the prior year declared		
in the six months ended 30 June	13,654	29,127
Interim – HK\$0.015(2006: HK\$0.015) per ordinary share	<u>11,804</u>	<u>12,400</u>

On 24 August 2007, the Company declared an interim dividend for the year ending 31 December 2007, at HK\$0.015 per share, amounting to a total sum of approximately HK\$12,064,000 (equivalent to approximately RMB11,804,000).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the net profit attributable to ordinary equity holders of the parent of RMB41,356,000 (2006: RMB45,451,000) and the weighted average number of 802,090,718 ordinary shares (2006: 800,020,552 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 RMB41,356,000 (2006: RMB45,451,000) and the weighted average number of 806,692,166 ordinary shares (2006: 801,307,004 ordinary shares) in issue during the period after adjusting for the effect of dilutive options.

8. INVENTORIES

	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Raw materials	17,739	16,261
Work in progress	57,458	91,432
Finished goods	<u>44,082</u>	<u>26,904</u>
	<u>119,279</u>	<u>134,597</u>

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 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Trade receivables		
Outstanding balances with ages:		
Within 90 days	141,785	125,532
Between 91 and 180 days	8,990	11,035
Between 181 and 270 days	1,914	1,863
Between 271 and 360 days	309	145
Over one year	<u>486</u>	<u>334</u>
	<u>153,484</u>	<u>138,909</u>

9. TRADE AND NOTES RECEIVABLES (CONTINUED)

Notes receivables

Outstanding balances with ages:

Within 90 days	129,546	87,035
Between 91 and 180 days	<u>21,848</u>	<u>62,948</u>
	<u>151,394</u>	<u>149,983</u>
	<u>304,878</u>	<u>288,892</u>

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.

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 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Trade payables		
Outstanding balances with ages:		
Within 90 days	71,904	74,657
Between 91 and 180 days	3,607	629
Between 181 and 270 days	876	1,032
Between 271 and 360 days	2	98
Over one year	<u>266</u>	<u>304</u>
	<u>76,655</u>	<u>76,720</u>
Notes payables		
Outstanding balances with ages:		
Within 90 days	78,041	46,040
Between 91 and 180 days	<u>67,004</u>	<u>78,482</u>
	<u>145,045</u>	<u>124,522</u>
	<u>221,700</u>	<u>201,242</u>

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

CHAIRMAN'S STATEMENT

CONSOLIDATED RESULTS

The Group has recorded the turnover of approximately RMB437,202,000 for the six months ended 30 June 2007, which was increased by 9.8% from the same period of the financial year 2006. The increase in turnover was mainly attributable to the steady growth in revenue from the businesses of the Group. Net profit attributable to equity holders for the six months ended 30 June 2007 was approximately RMB41,356,000, which was decreased by RMB4,095,000 from the corresponding period of last year. The decline in profit was mainly due to the increase in prices of chemical raw materials, sales expenditures and enterprises' income tax.

OVERVIEW

Operation of the Group for the first half of 2007 had been well with sound financial position. By leveraging on the advantageous vertically integrated production and sales strategies among the upper, middle and lower stream, the Group has been ranking among the top 100 enterprises among over 4,000 pharmaceutical enterprises in the People's Republic of China (the "PRC"). The Board always pays attention to the dominant trend in market development, and pursues for sustainable development strategies that are beneficial and effective, so as to consolidate and enhance the Group's position in the pharmaceutical market in the PRC.

After conducting marketing survey for a long time within and outside the PRC, the Board concentrated its efforts to improve the production conditions of the Group under its middle term development plan in accordance with the pharmaceuticals production technologies and standards of internationally leading countries. Therefore, during the first half of 2007, the Group separately devoted resources to the upper, middle and lower stream of its industry chain.

In addition, during the first half of 2007, the Group, as the only research and cooperation partner and designated supplier for drugs used in research, participated in the largest integrated medical project for the prevention and treatment of hypertension. The project is one of the key projects in the Eleventh Five-Year Plan ("Eleventh Five-Year Plan") of the PRC, which is supported by the Ministry of Health of the People's Republic of China and the Ministry of Science and Technology of the People's Republic of China, and is conducted by the Cardiovascular Institute, Chinese Academy of Medical Sciences in the PRC. The project is the first Eleventh Five-Year Plan project in the medical sector in the PRC that is supported by the State, which basically covers major hospitals in the Mainland PRC. The Group is entitled to all interests from the commercialization of the results from the research of the project. With the continuous enhancement in the power of the economy in the PRC, consumption per capita has increased substantially. There will definitely be simultaneous increase in the demand for cardiovascular drugs by the market. Therefore, it is expected by the Board that the project will improve the Group's capabilities in the marketing and research of cardiovascular drugs.

PROSPECTS

Looking into the past, the Board has been developing the businesses of the Group under the mission of “advancement, change and innovation on a solid foundation”. It is expected to create maximum value and bring stable return to the investment of the shareholders. In the meantime, it is also expected the Group can contribute to the health of people in a socially responsible manner. On this foundation, the businesses of the Group have been moving ahead under the direction and speed as planned by the Board. The Group has successfully become one of the top 100 pharmaceutical enterprises in the PRC.

Looking into the future, with the economy in the PRC developing rapidly after joining the World Trade Organization, there has been rapid growth in the per capita income. The strength of the nation as a whole continued to increase. The remarkable success in the economy achieved by the State present development opportunities to different industries in the PRC unprecedented in the past century. However, such success also brings enormous pressure to the manufacturing industry in the PRC. Today, as a pharmaceutical manufacturing enterprise in the PRC market, the Group, as well as its peers, have to seriously and properly deal with the conflict between corporate development and environmental protection. We have to monitor production processes at different phases comprehensively. We also have to enhance our quality assurance system so as to assure the delivery of quality products for use.

The Board considers that the pharmaceutical manufacturing industry in the PRC is facing structural change. The manufacturing enterprises must devote resources on its own to adapt to the strict requirements of the regulatory authorities in terms of environmental protection, quality and other aspects. Similar establishments of low standard will be phased out. Based on this conclusion, the Board has moved ahead of time. When we were formulating the middle term development strategies of the Group, we must fulfill the requirements as laid down by Chinese supervisory authorities for pharmaceutical productions in the planning of standards for the construction of new projects. At the same time, we have to obtain the certification and pass the examination by leading national pharmaceutical regulatory authorities, so as to attain “state-of-the-art, quality and high standard” for its production facilities.

In the long run, the pharmaceutical market in the PRC is a market with huge growth potential. I believe that the various new projects undertaking by the Group can establish a new platform that can consolidate and enhance the position of the Company in the pharmaceutical market in the PRC. I also believe that this new platform can create new conditions for the Group to compete in the international market, and to strengthen the development of its overseas business more effectively. We will facilitate and develop the businesses of the Group through internal innovation and cooperation externally with other parties in a multi-facet manner that will improve the core value of the enterprise and enhance the return on the investment of the shareholders.

The Board and the senior management will devote to the strict standard and transparent corporate governance in future just as the past. We will improve internal control and financial management, so as to maintain a stable dividend policy by the Company.

BUSINESS REVIEW

1. Operation Overview

The total turnover of the Group for the first half of 2007 was RMB437,202,000. The increase in sales was mainly attributable to the change in product composition and sales strategy according to the market conditions. Save as powder for injections, the sales of bulk medicines and generic drugs (system specific medicines) increased. In addition, as the Group has actively expanded overseas market, export sales reached RMB50,230,000 for the first half of the year, representing approximately 11.5% of total turnover, and an increase of 88.3% from the corresponding period of last year. As the orders from overseas increased substantially, the turnover from bulk medicines increased by approximately RMB45,134,000 or approximately 20.8% from the corresponding period of last year. As there was further expansion in the markets for generic drugs (system specific medicines) with higher profit margin in the PRC, the turnover continued to increase to RMB49,673,000, which was approximately 2% higher than the corresponding period of last year. In view of the marketing strategies, the sales for certain low profit margin products on powder for injections were reduced. Therefore the turnover from powder for injections decreased by approximately RMB7,093,000 or approximately 5.3% from the corresponding period of last year.

The Group continued to implement expenses budgeting to monitor the expenditure. The total expenses incurred during the period were approximately RMB52,944,000, equivalent to a decrease of approximately 5.3% compared with the corresponding period of last year. Other expenses were decreased by approximately RMB7,096,000 from the corresponding period of last year mainly due to the decrease in related provisions and research and development costs. Administrative expenses were similar to the corresponding period of last year, and there was no finance costs expense. Selling and distribution costs amounted to RMB30,525,000, equivalent to a surge of approximately 22.4% compared with the corresponding period of last year, which was due to the change in sales strategies and the increase in marketing activities expenses for the expansion of sales network. In addition, as there were more sales, together with the increase in fuel expenses, there were relatively more distribution expenses.

2. New products highlights

For the first half of 2007, there were a total of 25 types and specifications of products that had changed production approvals. There were 26 types of products that had completed research in technique, quality and/or clinical research and filed registration.

3. Projects to construct production facilities for expansion

In order to support future development, the Group separately devoted resources to the upper, middle and lower stream of its industry chain during the first half of 2007, and made various major deployments as follows:

i) Pharmaceutical chemical intermediates

The design on the new workshop project for the expansion of production capabilities of Suzhou Dawnrays Chemical Co. Ltd. was fundamentally completed;

Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. was invested by the Group and established in Nantong, Jiangsu Province. A piece of industrial land at approximately 130 mu (about 8.7 hectares) was acquired for the construction of new plant. The construction had commenced, and it is expected that the new plant will commence operation in the second half of 2008. The new plant has two strategic value propositions to the Group:

- 1) To expand the production capabilities of pharmaceutical chemical intermediates so as to fulfill the demand from the market in view of the continuous increase in sales by the Group;
- 2) The high quality intermediates produced by the new plant can be sold directly overseas, and explore new profit growth points of the Group.

ii) Bulk medicines

A German professional design firm on pharmaceutical industrial production was engaged to design the two new workshops for bulk medicines of Suzhou Dawnrays Pharmaceutical Co. Ltd. The new workshops will be constructed strictly in accordance with the standards of European Union so as to ensure the quality of every work. After the new workshops commenced operation, essential and high standard management measures will be imposed accordingly so as to assure that the products will pass the Certification of Suitability to the Monographs of the European Pharmacopoeia (COS) under European Directorate for the Quality of Medicines (EDQM) of the European Union. The Group can only further leverage on the rapid growth in overseas sales business at over 60% per annum for the past three financial years through these exercises. It is expected after the two new workshops commenced operation, the competitiveness of the Group in the overseas market, in particular the high end market, will increase significantly.

iii) Pharmaceutical preparations

Apart from the acquisition of land in Nantong, Jiangsu Province as referred to above, the Group intends to additionally acquire land in Suzhou, and construct oral bulk medicines and pharmaceutical preparations production plants according to the standard of U.S. Food and Drug Administration (FDA).

4. Staff and remuneration policy

As at 30 June 2007, the Group employed approximately 1,527 employees and the total remuneration was approximately RMB25,232,000 (2006: RMB24,725,000). The Group regards high performance employees as the most valuable assets and truly understands the importance of attracting, training and retaining capable people. Therefore, apart from the references of market salary index, the remuneration policy is also based on individual qualifications and performance. 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.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources remain adequate. During the period, net cash inflow from operating activities was approximately RMB39,929,000 (2006: RMB37,861,000). Net cash outflow used in investing activities was approximately RMB5,381,000 (June 2006: RMB21,591,000). Net cash outflow used in financing activities was approximately RMB10,853,000 (2006: RMB30,191,000). As at 30 June 2007, the Group's cash and bank deposit which were mainly denominated in Renminbi, Hong Kong Dollars and United States Dollars amounted to approximately RMB67,718,000 (as at 31 December 2006: RMB 44,023,000).

As at 30 June 2007, the Group's net current assets were approximately RMB280,104,000 (as at 31 December 2006: RMB242,216,000). Total assets amounted to approximately RMB787,031,000 (as at 31 December 2006: RMB758,337,000). As at 30 June 2007, the Group had no bank advances for discounted bills (as at 30 June 2006: RMB25,351,000), therefore had zero gearing (as at 31 December 2006: 3.3%, being bank advances for discounted bills over total assets). As at 30 June 2007, the Group's stand-by banking facilities totalled RMB543,400,000 (as at 31 December 2006: RMB463,400,000).

As at 30 June 2007, the Group's capital commitment was approximately RMB118,692,000 (as at 31 December 2006: RMB43,865,000), which was derived from the construction of new workshops projects so as to expand the production capabilities of the Group in different phases. The Group has sufficient financial and internal resources to bear the capital expenditures.

As at 30 June 2007, save for investments in subsidiaries and the acquisition of 100% interest of a company, which has already renamed as Guangdong Dawnrays Pharmaceutical Co. Ltd. after acquisition, in Guangdong by RMB630,000 from an independent third party, the Group had no significant external investments or material acquisitions or disposal of subsidiaries and associated companies.

FOREIGN EXCHANGE AND TREASURY POLICIES

Substantially all of the business activities, assets and 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 monitor the foreign exchange market, and may hedge against fluctuations with foreign exchange forward contracts if necessary.

CHARGES ON ASSETS

As at 30 June 2007, the Group had no asset being pledged to banks to obtain credit facilities (as at 31 December 2006: Nil).

CONTINGENT LIABILITIES

As at 30 June 2007, the Group had no material contingent liabilities (as at 31 December 2006: 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 2007, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 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 interim condensed consolidated financial statements of the Company for the period ended 30 June 2007 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 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 10 September 2007 to Wednesday, 12 September 2007 (both days inclusive), during which period no transfer of shares will be registered.

Dividend warrants will be despatched to shareholders on or about Tuesday, 18 September 2007. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Registrars in Hong Kong, Tricor Abacus Limited, at 26/F Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Friday, 7 September 2007.

Finally, I wish to express my gratitude to the support and trust of the shareholders of the Company and all staff of the Group. We will dedicate ourselves to the work in future just as the past.

By Order of the Board

Li Kei Ling

Chairman

Hong Kong, 24 August 2007

As at the date of this announcement, the Board comprises eight Directors, of which four are Executive Directors, namely Ms. Li Kei Ling, Mr. Hung Yung Lai, Mr. Li Tung Ming and Mr. Gao Yi; one is Non-executive Director, Mr. Leung Hong Man; three are Independent Non-executive Directors, namely Mr. Pan Xue Tian, Mr. Choi Tat Ying Jacky and Mr. Sik Siu Kwan.