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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

The board of directors (the "Board") of Dawnrays Pharmaceutical (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2005 together with the comparative amounts for 2004 as follow:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2005

	Notes	**2005** *RMB'000*	2004 *RMB'000* (Restated)
REVENUE	*4*	**734,002**	584,758
Cost of sales		**(518,769)**	(392,081)
Gross profit		**215,233**	192,677
Other income and gain	*4*	**1,959**	1,956
Selling and distribution costs		**(54,230)**	(59,910)
Administrative expenses		**(38,597)**	(37,172)
Other expenses		**(18,214)**	(14,859)
Finance costs		**(202)**	–
PROFIT BEFORE TAX	*5*	**105,949**	82,692
Tax	*6*	**(245)**	(6,225)
PROFIT FOR THE YEAR		**105,704**	76,467
Attributable to:			
Equity holders of the parent		**105,646**	76,451
Minority interest		**58**	16
		105,704	76,467
DIVIDENDS:	*7*		
Interim		**12,779**	12,760
Proposed final		**29,127**	19,543
EARNINGS PER SHARE	*8*		
– basic, for profit for the year attributable to ordinary equity holders of the parent		**RMB0.1321**	RMB0.0956
– diluted, for profit for the year attributable to ordinary equity holders of the parent		**RMB0.1321**	RMB0.0956

CONSOLIDATED BALANCE SHEET
As at 31 December 2005

	Notes	**2005** *RMB'000*	2004 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**223,927**	183,016
Land use rights		**13,511**	13,817
Construction in progress		**19,561**	40,689
Intangible assets		**15,038**	13,661
Total non-current assets		**272,037**	251,183
CURRENT ASSETS			
Inventories		**159,836**	84,766
Trade and notes receivables	*9*	**239,505**	236,010
Prepayments, deposits and other receivables		**20,860**	16,144
Financial assets at fair value through profit or loss		**867**	598
Cash and cash equivalents		**51,948**	98,382
Total current assets		**473,016**	435,900
CURRENT LIABILITIES			
Trade and notes payables	*10*	**204,260**	234,277
Interest-bearing loans and borrowings		**17,626**	–
Other payables and accruals		**34,110**	38,526
Income tax payable		**–**	2,093
Total current liabilities		**255,996**	274,896
Net current assets		**217,020**	161,004
Total assets less current liabilities		**489,057**	412,187
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**84,880**	84,880
Reserves		**374,307**	307,048
Proposed final dividend	*7*	**29,127**	19,543
		488,314	411,471
Minority interest		**743**	716
Total equity		**489,057**	412,187

NOTES:

1. **BASIS OF PREPARATION**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") 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 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. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Statement of compliance
The consolidated financial statements of the Group and all its subsidiaries have been prepared in accordance with IFRSs.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2. **CHANGES IN ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted those new and revised standards mandatory for financial years beginning on or after 1 January 2005.

The changes in accounting policies result from the adoption of the following new and revised standards:

- IAS 1 Presentation of Financial Statements;
- IAS 2 Inventories;
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- IAS 10 Events after the Balance Sheet Date;
- IAS 16 Property, Plant and Equipment;
- IAS 17 Leases;
- IAS 21 The Effects of Changes in Foreign Exchange Rates;
- IAS 24 Related Party Disclosures;
- IAS 27 Consolidated and Separate Financial Statements;
- IAS 32 Financial Instruments: Disclosure and Presentation;
- IAS 33 Earnings per Share;
- IAS 38 Intangible Assets;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 2 Share-based Payment;
- IFRS 3 Business Combinations; and
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The adoption of IASs 2, 8, 10, 16, 17, 21, 24, 27, 32, 33, 38, 39 and IFRSs 3 and 5 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

The impact of adopting the other accounting policies is summarised as follows:

(a) **IAS 1 – Presentation of Financial Statements**
IAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

(b) **IFRS 2 – Share-based Payment**
In prior years, no recognition and measurement of share-based payment transactions in which eligible persons (including the Company's directors, employees of the Group and other eligible participants) were granted share options over shares in the Company were required until such options were exercised by eligible persons, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of IFRS 2, when eligible persons render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of IFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The adoption of IFRS 2 required retrospective application of all the share options granted after 21 June 2003 (date of adoption of the Company's share option scheme) and not vested as at 1 January 2005, which has resulted in the following:

	2005 *RMB'000*	2004 *RMB'000* (Restated)
Decrease in retained profits	**4,255**	535
Increase in selling and distribution costs	**864**	923
Increase in administrative expenses	**3,182**	2,797
Decrease in basic earnings per share	**RMB0.0051**	RMB0.0046
Decrease in diluted earnings per share	**RMB0.0051**	RMB0.0046

Impact of Issued but not yet effective IFRSs
The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, to these financial statements. Unless otherwise stated, these IFRSs are effective for annual periods beginning on or after 1 January 2006:

IAS 1 Amendment	Capital Disclosures
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
IFRS 7	Financial Instruments: Disclosures
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
IFRIC – Int 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC – Int 8	Scope of IFRS 2
IFRIC – Int 9	Reassessment of Embedded Derivatives

(a) IAS 1 Amendment – Capital Disclosures
This interpretation shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

(b) IFRIC – Int 4 – Determining whether an Arrangement contains a Lease
This interpretation requires the determination of whether an arrangement is, or contains a lease shall be based on the substance of the arrangement and requires an assessment whether:

(a) fulfillment of the arrangement is dependent on the use of a specific asset or assets; and

(b) the arrangement conveys a right to use the asset.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements or not relevant to the activities of the Group in the period of initial application.

3. **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 segmental analysis by business and geographical segments is provided.

4. **REVENUE, OTHER INCOME AND GAIN**

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 gain is as follows:

	Group	
	2005 *RMB'000*	2004 *RMB'000*
Revenue		
Sale of goods	**734,002**	584,758
Other income		
Bank interest income	**1,032**	1,165
Government grant	**200**	50
Dividend income from financial assets at fair value through profit or loss	**7**	110
Others	**712**	526
	1,951	1,851
Gain		
Gain on disposal of financial assets at fair value through profit or loss	**8**	105
Total revenue	**1,959**	1,956

5. PROFIT BEFORE TAX

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

	Group	
	2005 **RMB'000**	2004 RMB'000 (Restated)
Cost of inventories sold	**518,769**	392,081
Depreciation	**17,408**	12,389
Amortisation of land use rights*	**306**	306
Research and development costs:		
Deferred expenditure amortised**	**531**	742
Current year expenditure	**15,910**	12,309
	16,441	13,051
	552,924	417,827
Minimum lease payments under operating leases:		
Land and buildings	**1,279**	963
Auditors' remuneration	**1,160**	691
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**38,609**	32,877
Equity-settled share option expense	**4,046**	3,720
Retirement costs	**3,173**	4,071
Accommodation benefits	**1,613**	2,734
	47,441	43,402
Foreign exchange differences, net	**(471)**	42
Write-back of provision for bad and doubtful debts	**(510)**	–
Write-down of inventories to net realisable value	**1,269**	–
Fair value losses, net:		
Equity investments at fair value through profit or loss	**190**	247
Bank interest income	**(1,032)**	(1,165)
Loss on disposal of items of property, plant and equipment	**959**	1,427

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

** *The amortisation of deferred expenditure for the year is included in "Other expenses" on the face of the consolidated income statement.*

6. TAX

Income tax expense

The major components of income tax expense for the years ended 31 December 2005 and 2004 are:

	2005 **RMB'000**	2004 RMB'000
Consolidated income statement		
Current income tax		
Current income tax charge	**2,870**	4,851
Adjustments in respect of current income tax of previous years	**(2,625)**	1,374
	245	6,225

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2004: Nil).

According to the Income Tax Law of the PRC, four subsidiaries of the Company, namely Suzhou Dawnrays Pharmaceuticals Co., Ltd. ("Suzhou Dawnrays Pharmaceuticals"), Suzhou Dawnrays Chemical Co., Ltd. ("Suzhou Dawnrays Chemical"), Suzhou Dawnrays Pharmaceutical Technology Co., Ltd. ("Suzhou Dawnrays Technology") and Shanghai Dawnrays Chemical Co., Ltd. ("Shanghai Dawnrays Chemical"), are exempted from corporate income tax of the PRC for the two years starting from the first profitable year of operation, after setting off losses carried forward, and are entitled to a 50% relief from corporate income tax of the PRC for the following three years.

Suzhou Dawnrays Pharmaceuticals is in its fifth profitable year of operation in 2005 and therefore its applicable income tax rate should have been 12%. However, Suzhou Dawnrays Pharmaceuticals obtained tax approval from the relevant tax authorities as a qualified foreign-owned manufacturing enterprise engaging in technology-intensive and knowledge-intensive projects ("Double-intensive Enterprise"). According to PRC tax laws and regulations, Suzhou Dawnrays Pharmaceuticals is subject to the corporate income tax of the PRC at a rate of 7.5% from 1 January 2003 to 31 December 2005, and at 15% from 1 January 2006 onwards. Its status as a Double-intensive Enterprise is subject to periodic reassessment by the relevant PRC government authorities. The paid-up capital of Suzhou Dawnrays Pharmaceuticals was increased by US$15,000,000 from US$10,000,000 to US$25,000,000 in 2004. According to PRC tax laws and regulations, taxable profits generated in the first two years and the three years thereafter from the aforesaid additional capital are exempted from corporate income tax and taxed at a 50% reduced rate respectively.

Shanghai Dawnrays Chemical is in its fourth profitable year of operation, based on its statutory financial report. It is subject to the corporate income tax of the PRC at a rate of 12% and local corporate income tax at a rate of 1.5% from 1 January 2004 to 31 December 2006.

Suzhou Dawnrays Chemical is in its first profitable year of operation, based on its statutory financial report. It is exempted from corporate income tax for the year.

Suzhou Dawnrays Technology had no taxable profits and therefore, no provision for income tax has been made for the year. On 22 April 2005, the board of directors of Suzhou Dawnrays Technology passed a resolution to voluntarily wind up the company.

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations. The undertaking for the Company is for a period of 20 years from 8 October 2002. Accordingly, the Company is not subject to tax.

Pursuant to the International Business Companies Act, 1984 ("IBC Act") of the British Virgin Islands, International Business Companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax, and all forms of withholding tax. Accordingly, Dawnrays International Co. Ltd. is not subject to tax.

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

A reconciliation between tax expense and the product of accounting profit multiplied by PRC's domestic tax rate for the years ended 31 December 2005 and 2004 is as follows:

	2005 **RMB'000**	2004 RMB'000 (Restated)
Accounting profit before income tax	**105,949**	82,692
At PRC's statutory income tax rate of 33% (2004: 33%)	**34,963**	27,288
Tax effect of profits entitled to tax exemption	**(32,226)**	(22,702)
Adjustments in respect of current income tax of previous years	**(2,625)**	1,374
Non-deductible expenses	**133**	265
At the effective income tax rate of 0.2% (2004: 7.5%)	**245**	6,225

7. DIVIDENDS

	Company	
	2005 **RMB'000**	2004 RMB'000
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2004: HK$0.023 (2003: HK$0.035)	**19,543**	29,840
Interim dividend for 2005: HK$0.015 (2004: HK$0.015)	**12,779**	12,760
	32,322	42,600
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December)		
Equity dividends on ordinary shares:		
Final dividend for 2005: HK$0.035 (2004: HK$0.023)	**29,127**	19,543

8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2005 **RMB'000**	2004 RMB'000 (Restated)
Earnings		
Net profit attributable to ordinary equity holders of the parent	**105,646**	76,451
	2005 **Thousands**	2004 Thousands
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	**800,000**	800,000
Effect of dilution:		
Share options	**26**	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**800,026**	800,000

9. TRADE AND NOTES RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. 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. In view of the aforementioned and that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing.

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

	Group	
	2005 **RMB'000**	2004 RMB'000
Trade receivables		
Outstanding balances with ages:		
Within 90 days	**136,398**	119,210
Between 91 and 180 days	**10,224**	2,932
Between 181 and 270 days	**792**	1,135
Between 271 and 360 days	**35**	990
Over one year	**214**	199
	147,663	124,466
Notes receivables		
Outstanding balances with ages:		
Within 90 days	**58,498**	54,318
Between 91 and 180 days	**33,344**	57,736
	91,842	112,054
Total trade and notes receivables	**239,505**	236,520
Less: Provision for bad and doubtful debts	**–**	(510)
	239,505	236,010

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:

	Group	
	2005 **RMB'000**	2004 RMB'000
Outstanding balances with ages:		
Within 90 days	**108,795**	107,486
Between 91 and 180 days	**94,770**	126,472
Between 181 and 270 days	**291**	42
Between 271 and 360 days	**152**	41
Over one year	**252**	236
	204,260	234,277

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

11. COMPARATIVE AMOUNTS

Due to the adoption of new IASs and IFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

RESULTS

The Group has recorded the revenue of approximately RMB734,002,000 (2004: RMB584,758,000) for the year ended 31 December 2005, which was increased by 25.5% from the revenue of 2004. Net profit attributable to equity holders was approximately RMB105,646,000 (2004: RMB76,451,000), which was increased by 38.2% from the profit of 2004. The significant growth in revenue and profit were mainly attributable to the expansion of capacity, growth of sales, as well as the decrease of cost and expenses in conducting the business.

FINAL DIVIDEND

The Board has declared a final dividend of HK$0.035 per share for the year ended 31 December 2005, amounting to the total sum of HK$27,999,020 (approximately equivalent to RMB29,127,000).

Considering the interim dividend of HK$0.015 per share, the total annual dividend distribution of the year ended 31 December 2005 is HK$0.050 per share, equivalent to the dividend payout of approximately 40%.

BUSINESS OUTLOOK

1. **Cephalosporin**

   The Group is engaged in the development, manufacturing, sales and marketing of non-patented chemical drugs in the PRC covering various drug formulations including cephalosporin bulk medicine and powder for injection. The Group is one of the few third generation cephalosporin manufacturers in the PRC which adopted the comprehensive vertically-integrated-production-process. The Group launched the fourth generation cephalosporin bulk medicine and powder for injection in 2005. The Group's solvent-crystallization technique for producing Cefoperazone has become the competitive technology in the PRC. During the year 2005, the Group's projects of production capacity expansion were basically completed and the sales of Cephalosporin were geared up substantially.

2. **Generic Drugs (System Specific Medicine)**

   In 2005, the sales of our cardiovascular system medicine, "AN NEI ZHEN", boosted significantly. The drug has already occupied a leading market position in the PRC.

3. **Export Sales**

   The Group's export sales achieved RMB 39,505,900, significantly grew by 87.4% as compared with the corresponding period of last year. The export sales occupied over 5% of the Group's overall sales for the year 2005.

4. **Development Strategies**

   Soon after the Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited, it has carefully designed its development strategies to extricate itself from the unfavorable and restrictive conditions arising from the national pharmaceutical public policies in the PRC and to optimize its products portfolio. The Group also takes part profoundly in the marketplace of the system specific generic drug market and overseas market by recruiting talented people, enhancing R&D and marketing efforts. The gross profit contribution of our products in 2005 and 2004 are shown as follows:–

Product	**2005 Gross Profit**	**2005 Gross Profit contribution**	**2004 G.P.**	**2004 Gross Profit contribution**
	(RMB)	*(%)*	*(RMB)*	*(%)*
Bulk:	82,084,000	38.1%	63,690,000	33.1%
Powder:	84,389,000	39.2%	91,023,000	47.2%
System:	48,760,000	22.7%	37,964,000	19.7%
Total:	**215,233,000**	**100%**	**192,677,000**	**100%**

On 10 October 2005, the National Development and Reform Commission of the PRC executed the State administration order of retail price-cut on antibiotics in powder for injection form. The bulk medicine and system specific medicine were not given any direct adverse impact by the mandatory price-cut order. The above gross profit contribution percentages in 2005 indicate that the structure of the Group's products was robust and healthy to resist the risks arising from policies changes.

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 Hugan 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.

4. **Construction Projects for the Expansion of Production Facilities**
In 2005, the Group's construction projects proceeded smoothly as scheduled:

   Suzhou Dawnrays Pharmaceutical 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.

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 the 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.

PROSPECTS

For the year 2006, the Group will continue to sustain 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.

HUMAN RESOURCES POLICY

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 the State unemployment insurance funds and the State housing funds for the employees in the PRC. During the year 2005, staff costs amounted to RMB 47,441,000 (as at 31 December 2005: RMB 43,402,000).

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 year 2004 & 2005.

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.

As at 31 December 2005, the Group's capital commitments were approximately RMB37,759,000 which will be funded by proceeds from internal resources. The projects are oral form cephalosporin bulk plant, cephalosporin formulation for oral plant and land purchase fee.

CONTINGENT LIABILITIES

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year. Subsequent to 31 December 2005, the Company purchased 28,000 shares of the Company's listed securities on 6 January 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended 31 December 2005.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2005 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 form Thursday, 4 May 2006 to Tuesday, 9 May, 2006 (both days inclusive) during which period no transfer of shares of the Company will be registered and effected. In order to qualify for the final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms 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 Wednesday, 3 May 2006.

APPRECIATION

I would like to take this opportunity to express my deepest gratitude to the members of the Board, and to the staff of the Groups subsidiaries and various departments who have been working with us dedicatedly for the last year.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 28 March, 2006

As at the date of this announcement, the Board comprises nine directors, of which five are executive directors, namely Ms. Li Kei Ling, Mr. Hung Yung Lai, Mr. Zhang Jing Xing, Mr. Li Tung Ming and Mr. Xu Kehan; one is non-executive director, namely 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.