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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The board (the "Board") of the directors (the "Directors") of Dawnrays Pharmaceutical (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006 together with the comparative amounts for 2005 as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
REVENUE	4	**788,797**	734,002
Cost of sales		**(604,788)**	(518,769)
Gross profit		**184,009**	215,233
Other income and gain	4	**2,955**	1,959
Selling and distribution costs		**(53,669)**	(54,230)
Administrative expenses		**(36,400)**	(38,597)
Other expenses		**(26,590)**	(18,214)
Finance costs		**(976)**	(202)
PROFIT BEFORE TAX	5	**69,329**	105,949
Tax	6	**(3,451)**	(245)
PROFIT FOR THE YEAR		**65,878**	105,704
Attributable to:			
Equity holders of the parent		**65,781**	105,646
Minority interest		**97**	58
		65,878	105,704
DIVIDENDS:			
Interim	7	**12,422**	12,779
Proposed final		**13,654**	29,127
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– basic, for profit for the year		**RMB0.0823**	RMB0.1321
– diluted, for profit for the year		**RMB0.0818**	RMB0.1321

CONSOLIDATED BALANCE SHEETS
As at 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**240,741**	223,927
Land use rights		**13,204**	13,511
Construction in progress		**869**	19,561
Intangible assets		**15,362**	15,038
Deferred tax assets		**655**	–
Total non-current assets		**270,831**	272,037
CURRENT ASSETS			
Inventories		**134,597**	159,836
Trade and notes receivables	9	**288,892**	239,505
Prepayments, deposits and other receivables		**16,029**	20,860
Financial assets at fair value through profit or loss		**3,965**	867
Cash and cash equivalents		**44,023**	51,948
Total current assets		**487,506**	473,016
CURRENT LIABILITIES			
Trade and notes payables	10	**201,242**	204,260
Bank advances for discounted bills		**25,351**	17,626
Other payables and accruals		**17,485**	34,110
Income tax payable		**1,212**	–
Total current liabilities		**245,290**	255,996
Net current assets		**242,216**	217,020
Total assets less current liabilities		**513,047**	489,057
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**84,791**	84,880
Reserves		**413,812**	374,307
Proposed final dividend	7	**13,654**	29,127
		512,257	488,314
Minority interest		**790**	743
Total equity		**513,047**	489,057

Notes:

1. **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and disclosure requirements of the Hong Kong Companies Ordinance. 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 financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and revised IFRSs and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect or give rise to additional disclosures on these financial statements.

- IAS 19 Amendment – Employee Benefits;
- IAS 21 Amendment – The Effects of Changes in Foreign Exchange Rates;
- IAS 39 Amendments – Financial Instruments: Recognition and Measurement;
- IFRIC 4 Determine whether an Arrangement contains a Lease;
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;

The principle effects of these changes are as follows:

(a) IAS 19 Employee Benefits

As of 1 January 2006, the Group adopted the amendments to IAS 19, which requires entities who participate in defined benefits plans to make additional disclosures providing information about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. As the Company and its subsidiaries participate in statutory defined contribution retirement plans in their respective jurisdiction, this change did not have an effect on the financial statements.

(b) IAS 21 The Effects of Changes in Foreign Exchange Rates

As of 1 January 2006, the Group adopted the amendments to IAS 21. As a result, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. This change has had no significant impact as at 31 December 2006 or 31 December 2005.

(c) IAS 39 Financial Instruments: Recognition and Measurement

Amendment for financial guarantee contracts (issued August 2005)-amended the scope of IAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recognised initially at fair value and to be re-measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue. This amendment did not have an effect on the financial statements.

Amendment for the fair value option (issued June 2005)-amended IAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, hence the amendment did not have an effect on the financial statements.

Amendment for hedges of forecast intragroup transactions (issued April 2005)-amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment did not have an effect on the financial statements.

(d) IFRIC 4 Determining Whether an Arrangement contains a Lease

The Group adopted IFRIC Interpretation 4 as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This change in accounting policy has not had a significant impact on the Group as at 31 December 2006 or 31 December 2005.

(e) IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Group adopted IFRIC Interpretation 5 as of 1 January 2006, which establishes the accounting treatment for funds established to help finance decommissioning for a companies assets. As the entity does not currently operate in a country where such funds exist, this interpretation has had no impact on the financial statements.

(f) IFRIC 6 Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment

The Group adopted IFRIC Interpretation 6 as of 1 January 2006, which established the recognition date for liabilities arising from the EU Directive relating to the disposal of Waste Electrical and Electronic Equipment. As the entity does not currently participate in this specific market nor have any operation in a jurisdiction that implements the EU Directive, this interpretation has had no impact on the financial statements.

The Group has not applied any new and revised IFRSs and IFRIC interpretations that have been issued but are not yet effective, in these financial statements.

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:

	2006	2005
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**788,797**	734,002
Other income		
Bank interest income	**858**	1,032
Government grant	**23**	200
Dividend income from financial assets at fair value through profit or loss	**2**	7
Tax refund for additional investment	**1,202**	–
Others	**668**	712
	2,753	1,951
Gain		
Gain on disposal of financial assets at fair value through profit or loss	**202**	8
	2,955	1,959

5. PROFIT BEFORE TAX

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

	2006	2005
	RMB'000	*RMB'000*
Cost of inventories sold	**537,124**	448,102
Depreciation	**22,227**	17,408
Recognition of land use rights	**307**	306
Research and development costs:		
Amortisation of intangible assets	**790**	531
Current year expenditure	**16,055**	15,910
	16,845	16,441
Minimum lease payments under operating leases:		
Land and buildings	**1,317**	1,279
Auditors' remuneration	**855**	1,160

Employee benefit expense (including directors' remuneration):		
Wages and salaries	**40,955**	38,609
Equity-settled share option expense	**405**	4,046
Retirement costs	**3,444**	3,173
Accommodation benefits	**1,763**	1,613
	46,567	47,441
Foreign exchange differences, net	**587**	(471)
Impairment/(reversal) of trade receivables	**3,095**	(510)
Write-down of inventories to net realisable value	**2,792**	1,269
Impairment losses of intangible assets	**1,335**	–
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss	**(857)**	190
Bank interest income	**(858)**	(1,032)
Loss on disposal of items of property, plant and equipment	**1,392**	959

6. TAX

The major components of income tax expense for the years ended 31 December 2006 and 2005 are:

	2006	2005
	RMB'000	*RMB'000*
Current income tax		
Current income tax charge	**4,368**	2,870
Adjustments in respect of current income tax of previous years	**(262)**	(2,625)
Deferred income tax	**(655)**	–
	3,451	245

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2005: Nil).

According to the Income Tax Law of the PRC, the Mainland China Subsidiaries 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.

The reconciliation between tax expense and the product of accounting profit multiplied by PRC's domestic tax rate for the years ended 31 December 2006 and 2005 is as follows:

	2006	2005
	RMB'000	*RMB'000*
Accounting profit before income tax	**69,329**	105,949
At the PRC's statutory income tax rate of 33% (2005: 33%)	**22,879**	34,963
Tax effect of profits entitled to tax exemption	**(19,404)**	(32,226)
Adjustments in respect of current income tax of previous years	**(262)**	(2,625)
Non-deductible expenses	**238**	133
At the effective income tax rate of 4.98% (2005: 0.2%)	**3,451**	245

7. DIVIDENDS

	2006	2005
	RMB'000	*RMB'000*
Equity dividends on ordinary shares:		
Interim dividend: HK$0.015 (2005: HK$0.015)	**12,422**	12,779
Final dividend: HK$0.017 (2005: HK$0.035)	**13,654**	29,127

Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December)

8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the 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 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 have been issued on the deemed 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 calculations:

	2006	2005
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**65,781**	105,646

	2006	2005
	Thousands	Thousands
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	**799,648**	800,000
Effect of dilution – Weighted average number of ordinary shares		
Share options	**4,409**	26
Weighted average number of ordinary shares adjusted for the effect of dilution	**804,057**	800,026

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 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 the fact 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 and net of provisions, is as follows:

	2006	2005
	RMB'000	*RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	**125,532**	136,398
Between 91 and 180 days	**11,035**	10,224
Between 181 and 270 days	**1,863**	792
Between 271 and 360 days	**145**	35
Over one year	**334**	214
	138,909	147,663
Notes receivables		
Outstanding balances with ages:		
Within 90 days	**87,035**	58,498
Between 91 and 180 days	**62,948**	33,344
	149,983	91,842
Total trade and notes receivables	**288,892**	239,505

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:

	2006	2005
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within 90 days	**120,697**	108,795
Between 91 and 180 days	**79,111**	94,770
Between 181 and 270 days	**1,032**	291
Between 271 and 360 days	**98**	152
Over one year	**304**	252
	201,242	204,260

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

RESULTS

The Group has recorded the revenue of approximately RMB788,797,000 (2005: RMB734,002,000) for the year ended 31 December 2006, which was increased by 7.5% from the revenue of 2005. Net profit attributable to equity holders was approximately RMB65,781,000 (2005: RMB105,646,000), which was decreased by 37.7% from the profit of 2005. The decline in profit was mainly due to the drastic changes in the pharmaceutical market of PRC, the price fluctuation of the main raw material7-ACA and the increase in expenditure on the Group's production technique improvement in 2006.

FINAL DIVIDEND

The Board has declared a final dividend of HK$0.017 per share for the year ended 31 December 2006, approximately amounting to the total sum of HK$13,585,000 (approximately equivalent to RMB13,654,000).

Considering the interim dividend of HK$0.015 per share, the total annual dividend distribution for the year ended 31 December 2006 is HK$0.032 per share. The dividend payout ratio is approximately 39%.

OVERVIEW

1. Cephalosporin

The Group is engaged in the manufacturing, sales and marketing of non-patented chemical drugs in the People's Republic of China(the "PRC") covering various drug formulations including cephalosporin bulk medicines and powder for injections. The Group is one of the few third generation cephalosporin manufacturers in the PRC which adopted the comprehensive vertically-integrated-production-process. The Group's solvent-crystallization technique for producing cefoperazone has become the competitive technology in the PRC.

2. Generic Drugs (System Specialty Drugs)

According to the arrangement for adjusting the Group's product portfolio, sales of the Group's high gross profit margin products, generic drugs (system specialty drugs), grew significantly in 2006. Its account on the total sales increased from 8.8% in 2005 to 11.2% in 2006.

3. Export Sales

In 2006, the Group's export sales achieved RMB73,396,000, representing over 9% of total sales, significantly grew by 85.8% as compared with the corresponding period of last year.

4. Development Strategies

The Group has been continuously optimizing its product portfolio, striving to develop the generic drugs' (system specialty drugs) market and overseas market, enhancing investments in research and development ("R&D") and markets, attracting and recruiting talented people in order to create actively a new profitable platform since listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Main Board").

BUSINESS REVIEW

1. Production & Sales Operation

For the year ended 31 December 2006, 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 2006, a total of 717 tones of bulk medicines were produced, equivalent to an increase of 22.5% compared with the corresponding period of last year. Sales of bulk medicines achieved 543.9 tones, equivalent to an increase of 44.5% compared with the corresponding period of last year. A total of 154,320,000 vials of cephalosporin powder for injections were produced and sales of cephalosporin powder for injections achieved 149,290,000 vials, both figures were almost equivalent to those of last year. A total of 18,050,000 boxes of generic drugs (system specialty drugs) were produced, equivalent to an increase of 61.5% compared with the corresponding period of last year. Sales of generic drugs (system specialty drugs) achieved 17,770,000 boxes, equivalent to an increase of 59.1% compared with the corresponding period of last year. Export trading continued to grow rapidly, the export sales increased from RMB39,506,000 in year 2005 to RMB73,396,000, equivalent to an increase of 85.8% compared with the corresponding period of last year.

2. Development of New Products

In 2006, the Group obtained 29 production permits for 15 species of products from the State Food and Drug Administration (SFDA) of the PRC. There were 10 certificates of new pharmaceutical products granted for anti-allergic bulk medicine "Levocetirizine Dihydrochloride", anti-infective bulk medicine "Cefepime Dihydrochloride", anti-infective powder for injection "Cefepime Dihydrochloride for Injection" (totally in 3 strengths), endocrine system specialty drug "Metformin Hydrochloride Sustained-release Tablets", cardiovascular system specialty drug "Telmisartan Bulk Medicine and Tablets" and digestive system specialty drug "Famotidine, Calcium Carbonate and Magnesium Hydroxide Chewable Tablets". The Group also received 7 clinical trials permits and study of production technique and quality research and/or clinical research of 56 projects were completed and have been submitted for registration. There are 5 new projects including 2 cephalosporin products and 3 traditional Chinese medicines, in which 2 are for cardiovascular system and 1 is for antiviral.

3. Honourable Recognitions

In May 2006, Suzhou Dawnrays Chemical Co., Ltd. has successfully passed the examination and attestation on Quality Management System ISO9001:2000, Environmental Management System ISO14001:2004 and Occupational Health and Safety Management System OHSAS18001:1999 as conducted by American Quality Assessors International, LLC (AQA International, LLC), an accredited organization in the United States, and has been awarded with Certificate of Assessment;

In June 2006, Ceftazidime Sterile bulk medicine, a product of the Group, was endorsed by Jiangsu Science and Technology Department as a project under the Torch Plan in Jiangsu Province;

In August 2006, Suzhou Dawnrays Pharmaceutical Co. Ltd. was granted the title of Suzhou Quality Control Award 2006 by Suzhou Quality Award Examination Commission (蘇州市質量獎審定委員會)。

4. Construction Projects for the Expansion of Production Facilities

Suzhou Dawnrays Pharmaceutical Co. Ltd. completed the project of diverting the waste water into clean and dirty flow channels;

Suzhou Dawnrays Pharmaceutical Co. Ltd. is carrying on the initial planning of building two new workshops according to the international standards;

Suzhou Dawnrays Pharmaceutical Co. Ltd 's workshop for cephalosporin oral-preparations in solid-dosage-form passed the attestation of Good Manufacturing Practice ("GMP");

Suzhou Dawnrays Chemical Co. Ltd.'s optimization plan for production technology relating to waste water integrated treatment project has been completed and it is inviting contractors to tender for the project.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the year ended 31 December 2006, the Group has achieved the revenue of approximately RMB788,797,000, equivalent to an increase of 7.5% compared with the corresponding period of last year. The main reason for the increase of revenue was the approximate 44.5% growth of the sales quantity of bulk medicines by a total of approximate 168 tones as compared with the corresponding period of last year. In addition, the sales of generic drugs (system specialty drugs) increased by 59.1% as compared with the corresponding period of last year.

Gross profit was approximately RMB184,009,000, equivalent to a decline of 14.5% compared with the corresponding period of last year. Gross profit margin was decreased by 6% to 23.3% (2005: 29.3%). The main reasons for a decline in gross profit margin are as follows: firstly, the increased input to improve current production technique affected the production cost; secondly, in response to the mandatory order of the retail price-cut on antibiotics by the National Development and Reform Commission of the PRC, the Group voluntarily carried the effect of lowering the ex-factory price of cephalosporin powder for injections to sustain its market share.

Table of Turnover Analysis

Product	Turnover (RMB'000)		Sales Breakdown (%)		Gross Profit Margin (%)	
	2006	2005	**2006**	2005	**2006**	2005
Bulk Medicines	**455,987**	379,605	**57.8**	51.7	**14.4**	21.6
Powder for Injections	**244,120**	289,666	**31.0**	39.5	**20.1**	29.1
System Specialty Drugs	**88,690**	64,731	**11.2**	8.8	**78.2**	75.3
Overall	**788,797**	734,002	**100**	100	**23.3**	29.3

ANALYSIS ON THE RETURN ON ASSETS

As at 31 December 2006, net assets of the Group were approximately RMB513,047,000. Net return on net assets, which is defined as the net profit attributable to equity holders divided by net assets, was 12.8% (2005: 21.6%). The turnover days for trade and notes receivables was approximately 121 days. The turnover days for inventory was approximately 87 days.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group held cash and cash equivalents of approximately RMB44,023,000(as at 31 December 2005: RMB51,948,000). The inventories amounted to RMB134,597,000 (as at 31 December 2005: RMB159,836,000).The trade receivables was RMB138,909,000 (as at 31 December 2005: RMB147,663,000). The notes receivables was RMB149,983,000 (as at 31 December 2005: RMB91,842,000). The trade and notes payables amounted to RMB201,242,000 (as at 31 December 2005: RMB204,260,000).The Group had bank advances for discounted bills with recourse, amounted to RMB25,351,000 (as at 31 December 2005: RMB17,626,000).

As at 31 December 2006, the Group had no borrowings except the bank advances for discounted bills, the debt ratio (defined as bank advances for discounted bills over total assets) of the Group was 3.3% (as at 31 December 2005: 2.4%).

As at 31 December 2006, the Group had aggregate bank facilities of approximately RMB463,400,000 (as at 31 December 2005: RMB450,000,000).

During the year, the net cash inflow from operating activities was approximately RMB50,613,000(as at 31 December 2005: RMB52,115,000). Net cash outflow from investing activities was approximately RMB15,269,000 (as at 31 December 2005: RMB65,467,000). Net cash outflow from financing activities was approximately RMB43,206,000 (as at 31 December 2005: RMB32,555,000). As at 31 December 2006, the Group held cash and cash equivalents of approximately RMB44,023,000.

As at 31 December 2006, the Group's capital commitments amounted to approximately RMB43,865,000 (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 expenditure.

CHARGE ON ASSETS

As at 31 December 2006, no asset of the Company was pledged to banks to obtain credit facilities (as at 31 December 2005: Nil).

CONTINGENT LIABILITIES

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

PROSPECTS

By virtue of the wealth and advantages in current product portfolio of the third generation cephalosporin and generic drugs (system specialty drugs), sales network and channels, the Group will actively exploit new market, open up new marketing channels and strive to increase market share. The Group will adjust the product portfolio by developing new products' sales, launching new bulk medicines and enhancing the sales of high gross profit margin products which are anticipated a substantial growth will sustain continuously in 2007. Meanwhile, the production technique improvement of existing bulk medicines became effective and will further reduce production cost. All aforementioned factors served as the stable sources of cash inflow for the Group in 2007. The Company will also set up new organizational structure, exploit new profitable business model, aggressively expand international markets and strengthen international projects cooperation.

STAFF AND REMUNERATION POLICY

As at 31 December 2006, the Group employed approximately 1,501 employees and the total remuneration was approximately RMB46,567,000 (2005: RMB47,441,000). The Groups 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 schemes, share option scheme and medical coverage. The Group also offers some of its employees stationed in the PRC with dormitory accommodation.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, 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. Save as disclosed above, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

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 2006.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2006 have been reviewed by the Audit Committee before recommending it to the Board for approval.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 11 May 2007 to Tuesday, 15 May 2007 (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 4:00p.m. on Thursday, 10 May 2007.

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 Group's 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, 22 March 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.

Please also refer to the published version of this announcement in International Herald Tribune.