DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED
東瑞製葯（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2348)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2009	2008	Change
Unaudited	**RMB'000**	*RMB'000*	%
Revenue	**495,550**	456,118	8.6
Gross Profit	**142,541**	121,985	16.9
Profit before tax	**66,195**	53,257	24.3
Profit for the period attributable to equity holders of the parent	**51,117**	48,863	4.6
Earnings per share-basic (RMB)	**0.0656**	0.0616	6.5
Interim dividend per share (HK$)	**0.018**	0.018	0

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board of directors (the 'Board') 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 2009 (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$0.018 per share for the year ended 31 December 2009, approximately amounting to a total sum of HK$14,119,000 (approximately equivalent to RMB12,447,000).

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	*RMB'000*
REVENUE	3	**495,550**	456,118
Cost of sales		**(353,009)**	(334,133)
Gross profit		**142,541**	121,985
Other income and gain	3	**1,034**	2,759
Selling and distribution costs		**(44,666)**	(39,683)
Administrative expenses		**(23,023)**	(21,777)
Other expenses		**(9,399)**	(10,027)
Finance costs	4	**(292)**	-
PROFIT BEFORE TAX	5	**66,195**	53,257
Tax	6	**(15,118)**	(4,324)
PROFIT FOR THE PERIOD		**51,077**	48,933
Attributable to:			
Equity holders of the parent		**51,117**	48,863
Minority interest		**(40)**	70
		51,077	48,933
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– basic, for profit for the period		**RMB0.0656**	RMB0.0616
– diluted, for profit for the period		**RMB0.0654**	RMB0.0612

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**51,077**	48,933
Currency translation difference	**(55)**	(2,726)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(55)**	(2,726)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**51,022**	46,207
Attributable to:		
Equity holders of the parent	**51,062**	46,137
Minority interest	**(40)**	70
	51,022	46,207

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2009 (Unaudited) RMB'000**	31 December 2008 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**247,466**	248,935
Land use rights		**47,983**	23,078
Construction in progress		**75,241**	53,033
Prepayments		**-**	26,072
Intangible assets		**14,558**	14,631
Deferred tax assets		**713**	892
Total non-current assets		**385,961**	366,641
CURRENT ASSETS			
Inventories	9	**176,022**	159,536
Trade and notes receivables	10	**419,396**	391,041
Prepayments, deposits and other receivables		**16,034**	15,657
Financial assets at fair value through profit or loss		**4,927**	3,404
Cash and cash equivalents		**57,639**	38,936
Total current assets		**674,018**	608,574
CURRENT LIABILITIES			
Trade and notes payables	11	**337,684**	281,428
Other payables and accruals		**28,438**	36,348
Bank advances for discounted bills		**28,109**	24,907
Income tax payable		**10,697**	3,319
Total current liabilities		**404,928**	346,002
Net current assets		**269,090**	262,572
Total assets less current liabilities		**655,051**	629,213
Net assets		**655,051**	629,213
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**83,336**	82,964
Reserves		**571,156**	518,100
Proposed final dividend		**-**	27,477
		654,492	628,541
Minority interest		**559**	672
Total equity		**655,051**	629,213

NOTES:

1. BASIS OF PREPARATION AND IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Basis of preparation

The unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2009 (collectively defined as the "interim financial information") have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" 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 information 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 interim financial information does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2008.

Impact of new and revised International Financial Reporting Standards

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2008, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs"), which are relevant to the Group's financial statements, as noted below:

IFRSs (Amendments)	Improvements to IFRSs
IAS 1 (Revised)	Presentation of Financial Statements
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Revised)	Share-based Payment – Vesting Conditions and Cancellations
IFRS 7 (Revised)	Financial Instruments Disclosures
IFRS 8	Operating Segments

The Improvements to IFRSs include amendments to remove inconsistencies and to clarify wording. The adoption of the amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IFRS 2 (Revised) has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

The adoption of the other revisions, amendments and interpretations has had no effect on the Group's interim financial information.

2. SEGMENT INFORMATION

The Group is principally engaged in one business segment, the development, manufacture and sale of medicines and most of its operations and assets are located in Mainland China. Therefore, no business segment or geographical segment is presented.

3. 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:

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**495,550**	456,118
Other income		
Bank interest income	**170**	641
Dividend income from financial assets at fair value through profit or loss	**39**	81
Government grants	**341**	350
Tax refund for reinvestment	**-**	1,265
Others	**384**	322
	934	2,659
Gain		
Gain on disposal of financial assets at fair value through profit or loss	**100**	100
	1,034	2,759

4. FINANCE COSTS

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank advances for discounted bills	**292**	-

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of the inventories sold	**353,009**	334,133
Depreciation	**12,478**	11,436
Recognition of land use rights *	**1,173**	182
Research and development costs:		
Amortisation of intangible assets **	**429**	428
Current period expenditure	**8,048**	7,896
	8,477	8,324
Minimum lease payments under operating leases:		
Buildings	**868**	1,014
Employee benefit expense (including directors' remuneration) :		
Wages and salaries	**35,860**	34,990
Retirement costs	**3,171**	2,696
Accommodation benefits	**1,254**	1,060
Equity-settled share option expense	**241**	340
	40,526	39,086
Foreign exchange differences, net***	**17**	(1,908)
Impairment of trade receivables	**-**	400
Write-down of inventories to net realisable value	**1,027**	1,795
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss	**(1,263)**	704
Loss on disposal of items of property, plant and equipment	**371**	60

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

** The amortisation of intangible assets for the period is included in "Other expenses" on the face of the condensed consolidated income statement.

*** The foreign exchange differences, net for the period is included in "Other expenses" on the face of the condensed consolidated income statement.

6. TAX

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax		
Current income tax charge	**14,708**	4,297
Adjustments in respect of current income tax of previous years	**231**	(44)
Deferred tax charge	**179**	71
Total tax charge for the period	**15,118**	4,324

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.

7. DIVIDENDS

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Dividend pertaining to the prior year declared in the six months ended 30 June	**27,494**	28,246
Interim – HK$0.018(2008: HK$0.018) per ordinary share	**12,447**	12,571

On 21 August 2009, the Company declared an interim dividend for the year ending 31 December 2009, at HK$0.018 per share, amounting to a total sum of approximately HK$14,119,000 (approximately equivalent to RMB12,447,000).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on the profit for the period attributable to ordinary equity holders of the parent of RMB51,117,000 (2008: RMB48,863,000) and the weighted average number of 779,503,713 ordinary shares (2008: 793,670,154 ordinary shares) in issue during the period.

The calculation of diluted earnings per share for the period is based on the profit for the period attributable to ordinary equity holders of the parent of RMB51,117,000 (2008: RMB48,863,000) and the weighted average number of 781,838,235 ordinary shares (2008: 798,351,527 ordinary shares) in issue during the period after adjusting for the effect of dilutive options.

9. INVENTORIES

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) *RMB'000*
Raw materials	**27,101**	21,237
Work in progress	**83,653**	90,527
Finished goods	**65,268**	47,772
	176,022	159,536

10. TRADE AND NOTES RECEIVABLES

An aged analysis of the trade and notes receivables as at 30 June 2009, based on the invoice date, is as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) *RMB'000*
Trade receivables		
Outstanding balances with ages:		
Within 90 days	**177,318**	159,722
Between 91 and 180 days	**10,010**	2,853
Between 181 and 270 days	**264**	1,217
Between 271 and 360 days	**374**	120
Over one year	**815**	251
	188,781	164,163
Notes receivables		
Outstanding balances with ages:		
Within 90 days	**77,363**	87,359
Between 91 and 180 days	**153,252**	139,519
	230,615	226,878
	419,396	391,041

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.

11. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables as at 30 June 2009, based on the invoice date, is as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) *RMB'000*
Trade payables		
Outstanding balances with ages:		
Within 90 days	**87,862**	66,503
Between 91 and 180 days	**1,065**	784
Between 181 and 270 days	**1,333**	640
Between 271 and 360 days	**49**	97
Over one year	**752**	195
	91,061	68,219
Notes payables		
Outstanding balances with ages:		
Within 90 days	**135,781**	85,667
Between 91 and 180 days	**110,842**	127,542
	246,623	213,209
	337,684	281,428

Trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade and notes payables approximate to their fair values.

CHAIRMAN'S STATEMENT

The sustainable development of the business of the Group is built on our long-term commitment to the regions where our business is located. Whether business environment in the regions is favourable or not, we still bring economic and environmental benefits to the society.

For six years since its listing, the Group not only pays increasing attention to its financial statements, as the conventional tool of measuring the results of the Company and the performance of its management, but also puts emphasis on contribution to the overall society and the environment. Facing the uncertainties generated by both domestic and international macro-economic factors as well as industry-specific challenges coming from the pharmaceutical sector, we focus on the business operation and professional management in order to maintain a stable operation of the Group. Furthermore, we formulate conservative development strategies and actively adapt changes of the pharmaceutical market in order to strive for good returns for our investors.

Following the implementation of the basic drugs system and the launch of the supporting policies of new medical reform by the State, all primary medical units (county and thereunder) will adopt a unified tender system in purchasing medical products thereafter. The change in the mechanism of purchasing of medical units will definitely trigger an adjustment in the model of marketing and sales of enterprises. As a major upstream pharmaceutical enterprise (one with vertical and integrated production capacity of intermediates, bulk medicines and powder for injections), the Group is encountering a new and changing primary market. Therefore, in the first half of 2009, we adjusted our marketing strategy while keeping abreast of adjustments in the State's policies and changes in the market. We also strengthened our penetration in the market and moved forward in exploring potential of new end-markets.

Currently, the Chinese Pharmacopoeia Commission is revising the Chinese Pharmacopoeia 2010 Edition. According to market information, the new pharmacopoeia will be implemented in 2010, which is the 9th edition of pharmacopoeia since the establishment of the State. The Board is in the opinion that the new pharmacopoeia will impose a more stringent standard on both the quality of drug types and the techniques of manufacturing, and that it will also acquire domestic and foreign advanced technology and testing methods extensively to raise quality control and product safety standards. Therefore, in 2008 and the first half of 2009, the Group regarded technological procedures and production criteria of Good Manufacturing Practice ("GMP") as strategic agendas.

PROSPECTS

The Board considers that the pharmaceutical industry in the PRC is both a 'sunrise' industry and a pillar industry for the nation to achieve a "harmonious" society. The continuously expanding comprehensive national power of the PRC today, as well as the basic medical and healthcare system covering the 1.3 billion population which has been launched recently will boost development and upgrade of the country's pharmaceutical industry. Therefore, the rapid development of the pharmaceutical industry in the PRC is driving us, as modern business organizations, for building the core competencies.

In fact, since 2000, sales income of the pharmaceutical industry in the PRC has been growing by 20% annually, which is far higher than the growth in gross domestic product (GDP) of the PRC in the corresponding periods. In 2008, the pharmaceutical industry realised a gross industrial output value of RMB866.7 billion, representing a year-on-year increase of 25.7%. According to forecast of IMS, the PRC will become the third largest pharmaceutical market in the world in 2011.

In terms of stages of development, the pharmaceutical market in the PRC has experienced two stages, namely the technological competition and price (marketing) competition. With the development of pharmaceutical market approaching a more mature state, supervision by the State has strengthened further with product tendering posing stringent control on the "price-cut promotion". The Group not only has to advance production technology and quality level to maintain competitive in the pharmaceutical market where currently exists with huge amount of generic drugs, in addition, the Board considers the following three strategic aspects of critical importance:

1. Optimisation of product structure
   The value of a firm can be derived from the continuously launching of new products that can meet market demands. The ability to make decisions and allocate resources reasonably in face of future market growth points determines whether the enterprise can continuously maintain the profitability of products and adjust the upward stage in the product life cycle.

2. Resource allocation for new marketing channels
   The national policy on the new health care reform will adjust the existing mechanism of sales and distribution of pharmaceuticals from the macro perspective. With new channels emerging in the new trend, the Group must seize the opportunity to cope with changes in the market.

3. Building a knowledge-intensive enterprise
   Enterprises in the PRC will face the multi-dimensional competition in the near future. The trend of consolidation in the pharmaceutical industry will become more obvious in the coming few years. This requires us to set up external academic unions rapidly that are diversified, multi-faceted and of high level. With respect to development of new products, results from specialists of professional research bodies and institutes are to be introduced to enhance the technological content of products.

At the same time, innovative management model meeting the resource allocation of the Company will be introduced to enhance the enterprise's adaptability in multi-dimensional competition and allow the continuous development of business in accordance with the plan of the Group.

As an enterprise with profound knowledge in the PRC market, in the second half of 2009, the Group will work hard based on the above understanding and continue to bring wealth to the shareholders and create value for the society.

BUSINESS REVIEW

1) PRODUCTION & SALES OPERATION

For the six months ended 30 June 2009, the sales volume of bulk medicines of the Group increased by 13.7% as compared to the corresponding period of last year. The production and sales volume of powder for injections decreased by 12.1% and 8.7% respectively as compared to the corresponding period of last year. The production and sales volume of solid-dosage-forms increased by 10.7% and 13.6% respectively as compared to the corresponding period of last year. Export sales represented approximately 6.0% of total turnover, a decrease of 25% as compared to the corresponding period of last year.

2) DEVELOPMENT OF NEW PRODUCTS

In the first half of 2009, the Group had applied to the provincial and State Food and Drug Administration to register a total of 17 products and 15 registrations. In addition, the Group received 6 supplemental production permits and 1 clinical permit. There were 4 products undergoing clinical trials.

3) HONOURABLE RECOGNITION DURING THE FIRST HALF OF 2009

i) The production technology of a product of the Group has been granted patent in the PRC. The Group currently owns patented technology for three products;

ii) Bulk medicine and tablets of telmisartan, the products of the Group, have been recognised as new technology products of Jiangsu province by Jiangsu Province Sci-tech Department.

4) CONSTRUCTION PROJECTS FOR THE EXPANSION OF PRODUCTION FACILITIES

To expand our production capacity and to respond to the rise in the GMP standard of the PRC, the Group has been carrying out plant reconstruction and construction of production plants that meet the European COS standard as well as CGMP standards step-by-step and by stages since 2008.

i) Pharmaceutical Chemical Intermediates

Phase I of Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. officially commenced production in January 2009 and currently is operating normally. Its phase II project is now in the procedures of design approval.

ii) Bulk Medicines

The applicable reconstruction works for two existing bulk medicines workshops carried out by Suzhou Dawnrays Pharmaceutical Co., Ltd. were fully completed at the beginning of 2009 and all of which have passed the re-certification of the GMP of the PRC in May 2009.

The equipment installation and commissioning work of the new bulk medicines workshop of Suzhou Dawnrays Pharmaceutical Co., Ltd. had been completed and has reached the verification stage. The civil engineering works and equipment installation of its ancillary quality inspection facilities have also been completed.

iii) Pharmaceutical Preparations

In addition to the bulk medicines workshop, Suzhou Dawnrays Pharmaceutical Co., Ltd. also completed the applicable reconstruction for the GMP of the PRC for a pharmaceutical preparation workshop. It has passed the re-certification of the GMP of the PRC in May 2009.

In addition, the Group has carried out an overall project design planning for the land newly acquired in Suzhou by Suzhou Dawnrays Pharmaceutical Co., Ltd. Tender invitation for civil engineering work has been completed.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the six months ended 30 June 2009, the Group has recorded the total turnover of approximately RMB495,550,000, representing an increase of 8.6% as compared with the corresponding period of last year. The growth was mainly due to an increase in the sales volume of bulk medicines and solid-dosage-forms (most are system specific medicines) by 13.7% and 13.6% respectively as compared with the corresponding period of last year.

Gross profit was approximately RMB142,541,000, equivalent to an increase of 16.9% compared with the corresponding period of last year. Gross profit margin was 28.8%, representing a rise of 7.9% as compared with 26.7% in the corresponding period of last year. The main reasons for the increase in gross profit margin were due to the sales of solid-dosage forms (most are system specific medicines) accounted for total turnover increased from 13.1% to 15.47% as compared with the corresponding period of last year and the rise of gross profit margin for bulk medicines as compared with the corresponding period of last year.

Table of Turnover Analysis

Product	Turnover (RMB '000)			Sales Breakdown (%)		
	2009	2008	Changes	**2009**	2008	Changes
Bulk Medicines	**284,913**	257,470	27,443	**57.49**	56.45	1.04
Powder for Injections	**133,973**	138,906	-4,933	**27.04**	30.45	-3.41
Solid-Dosage-Forms	**76,664**	59,742	16,922	**15.47**	13.10	2.37
Overall	**495,550**	456,118	39,432	**100.00**	100.00	0.00

EXPENSES

During the period, the total expenses incurred were approximately RMB77,380,000, equivalent to a rise of 8.2% compared with the corresponding period of last year. The total expenses as a percentage of turnover was 15.6% (2008: 15.7%).

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

For the period ended 30 June 2009, profit attributable to equity holders of the parent amounted to RMB51,117,000, posted a rise of 4.6% compared with the corresponding period of last year. The reason for the increase in profit was mainly due to the rise of gross profit margin.

ANALYSIS ON RETURN ON ASSETS

As at 30 June 2009, net assets attributable to equity holders of the parent were approximately RMB654,492,000. Net return on net assets, which is defined as the profit attributable to equity holders of the parent divided by net assets attributable to equity holders of the parent, was 7.8% (2008: 8.2%). The current ratio and quick ratio were 1.66 and 1.23 respectively. Turnover days for trade and notes receivables were approximately 147 days. Turnover days for inventory were approximately 86 days.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group held cash and cash equivalents of approximately RMB57,639,000 (as at 31 December 2008: RMB38,936,000). During the period, net cash inflow from operating activities was approximately RMB64,780,000 (2008: RMB36,068,000). Net cash outflow from investing activities was approximately RMB20,273,000 (2008: RMB20,164,000). Net cash outflow from financing activities was approximately RMB25,751,000 (2008: RMB28,034,000).

As at 30 June 2009, the debt ratio (defined as bank advances for discounted bills over total assets) of the Group was 2.7% (as at 31 December 2008: 2.6%).

As at 30 June 2009, the Group had aggregated bank facilities of approximately RMB 535,546,000 (as at 31 December 2008: RMB595,000,000).

As at 30 June 2009, the Group's capital commitment was approximately RMB 148,691,000 (as at 31 December 2008: RMB113,370,000), which mainly derived from re-engineering of cephalosporin bulk medicines workshop and the construction of non-cephalosporin bulk medicines workshop in Suzhou Dawnrays Pharmaceutical Co. Ltd., the construction project of Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd., and environmental protection projects for Suzhou Dawnrays Chemical Co., Ltd. etc. The Group has sufficient financial and internal resources to bear the capital expenditures.

Save as aforesaid disclosure and the investment in the subsidiaries, the Group had no significant external investments or material acquisitions or disposal of subsidiaries and associated companies during the period.

FOREIGN EXCHANGE AND TREASURY POLICIES

Substantially all of the business activities, assets, liabilities of the Group are calculated in Renminbi, therefore the risk derived from the foreign exchange to the Group is not high. The treasury policy of the Group is to manage any risk of foreign exchange (if any) only if it will potentially impose a significant impact on the Group. The Group continues to observe the foreign exchange market, and may hedge against fluctuations with foreign exchange forward contracts if necessary.

STAFF AND REMUNERATION POLICY

As at 30 June 2009, the Group employed approximately 1,756 employees. During the period, the total remuneration was approximately RMB40,526,000 (2008: RMB 39,086,000). The Group regards human resources as the most valuable assets and truly understands the importance of attracting and keeping high-performance employees. The remuneration policy is generally based on the references of market salary index and individual qualifications. The Group provides its employees with other fringe benefits, including defined contribution retirement scheme, share option scheme and medical coverage. The Group also offers some of its employees stationed in the PRC with dormitory accommodation.

CHARGES ON ASSETS

As at 30 June 2009, the Group had no asset being pledged to banks to obtain credit facilities (as at 31 December 2008: Nil).

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no material contingent liabilities (as at 31 December 2008: Nil).

PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING

Save for those disclosed above in connection with capital commitments under the section “Liquidity and Financial Resources”, the Group does 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 2009, the Company repurchased 184,000 shares of the Company’s securities on the Stock Exchange at an aggregate consideration of HK$127,960 before expenses. The monthly breakdown of shares repurchased during the period was as follows:

Month of Repurchase (month/year)	Number of Shares Repurchased	The highest price paid per share (HK$)	The lowest price paid per share (HK$)	Aggregate consideration paid (HK$)
1/2009	100,000	0.70	0.69	69,600
2/2009	84,000	0.70	0.69	58,360
Total	184,000			127,960

The repurchased shares were subsequently cancelled. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the premium payable on repurchase was charged against the share premium account. 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 for the six months ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (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 2009 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 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 September 2009 to Thursday, 10 September 2009 (both days inclusive), during which period no transfer of shares will be registered.

Dividend warrants will be despatched to shareholders on or about Wednesday, 16 September 2009. 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 Tuesday, 8 September 2009.

Last but not least, the Board would like to take this opportunity to thank for the support from shareholders and express gratitude to dedicated staff for their contribution to the Group.

By Order of the Board
Li Kei Ling
Chairman

Hong Kong, 21 August 2009

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.