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DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED

東瑞製藥(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

**ANNOUNCEMENT
APPOINTMENT OF NEW DIRECTOR
ACQUISITION OF SHARES IN THE COMPANY BY DIRECTORS**

The Board is pleased to announce that Mr. Li has been appointed an executive Director with effect from 14 January, 2004. Mr. Li is a director of Suzhou Dawnrays Pharmaceuticals Co., Ltd. and Suzhou Dawnrays Chemical Co., Ltd., both of which are wholly-owned subsidiaries of the Company. Mr. Li is also a director of Shanghai Dawnrays Chemical Co., Ltd., a non wholly-owned subsidiary of the Company.

On 14 January, 2004, Fortune United, a substantial shareholder of the Company, entered into a sale and purchase agreement with Ray Sheen, a company wholly-owned by Mr. Zhang, a Director, pursuant to which Ray Sheen acquired 152,000,000 Shares, representing 19% of the Total Issued Capital, from Fortune United at a total cash consideration of HK\$114,000,000. The Zhang Consideration represented a price of HK\$0.75 per Zhang Share, being the closing price per Share on the Stock Exchange on 14, January, 2004.

On 14 January, 2004, Fortune United entered into another sale and purchase agreement with Time Lead Investments, a company wholly-owned by Mr. Li, pursuant to which Time Lead Investments acquired 56,000,000 Shares, representing 7% of the Total Issued Capital, from Fortune United at a total cash consideration of HK\$42,000,000. The Li Consideration represented a price of HK\$0.75 per Li Share, being the closing price per Share on the Stock Exchange on 14 January, 2004.

Fortune United is ultimately owned as to 50% by Ms. Li and 50% by Mr. Hung, both of whom are Directors.

Following completion of the Zhang Acquisition and the Li Acquisition on 14 January, 2004, the number of Shares held by Fortune United decreased from 552,000,000 Shares (representing 69% of the Total Issued Capital) to 344,000,000 Shares (representing 43% of the Total Issued Capital).

I. APPOINTMENT OF NEW DIRECTOR

Mr. Li has been appointed an executive Director with effect from 14 January, 2004. There has not been any change in the composition of the Board as at the date of this announcement save for Mr. Li's appointment.

II. THE ZHANG ACQUISITION

The Zhang Agreement

Date

14 January, 2004

Parties

Vendor: Fortune United, a substantial shareholder of the Company which is ultimately owned as to 50% by Ms. Li and as to 50% by Mr. Hung (both of whom are Directors)

Purchaser: Ray Sheen, a company wholly-owned by Mr. Zhang (who is a Director)

Zhang Shares

152,000,000 Shares, representing 19% of the Total Issued Capital, were acquired by Ray Sheen from Fortune United.

Consideration

HK\$114,000,000. The Zhang Consideration was determined with reference to the closing price of HK\$0.75 per Share on the Stock Exchange on 14 January, 2004.

The Zhang Agreement provides that the Zhang Consideration shall be fully settled by Ray Sheen by one or more installments on or before 13 January, 2010, being the 6th anniversary of the date of completion of the Zhang Acquisition.

Completion

Completion of the Zhang Acquisition was not subject to any conditions and the Zhang Acquisition was completed on 14 January, 2004. Upon completion of the Zhang Acquisition, the shareholding interest of Mr. Zhang in the Company (held indirectly through Ray Sheen which is wholly-owned by Mr. Zhang) increased from nil to 152,000,000 Shares, representing 19% of the Total Issued Capital.

III. THE LI ACQUISITION

The Li Agreement

Date

14 January, 2004

Parties

- Vendor: Fortune United, a substantial shareholder of the Company which is ultimately owned as to 50% by Ms. Li and as to 50% by Mr. Hung (both of whom are Directors)
- Purchaser: Time Lead Investments, a company wholly-owned by Mr. Li (who is a Director)

Li Shares

56,000,000 Shares, representing 7% of the Total Issued Capital, were acquired by Time Lead Investments from Fortune United.

Consideration

HK\$42,000,000. The Li Consideration was determined with reference to the closing price of HK\$0.75 per Share on the Stock Exchange on 14 January, 2004.

The Li Agreement provides that the Li Consideration shall be fully settled by Time Lead Investments by one or more installments on or before 13 January, 2007, being the 3rd anniversary of the completion of the Li Agreement.

Completion

Completion of the Li Acquisition was not subject to any conditions and the Li Acquisition was completed on 14 January, 2004. Upon completion of the Li Acquisition, the shareholding interest of Mr. Li in the Company (held indirectly through Time Lead Investments which is wholly-owned by Mr. Li) increased from nil to 56,000,000 Shares, representing 7% of the Total Issued Capital.

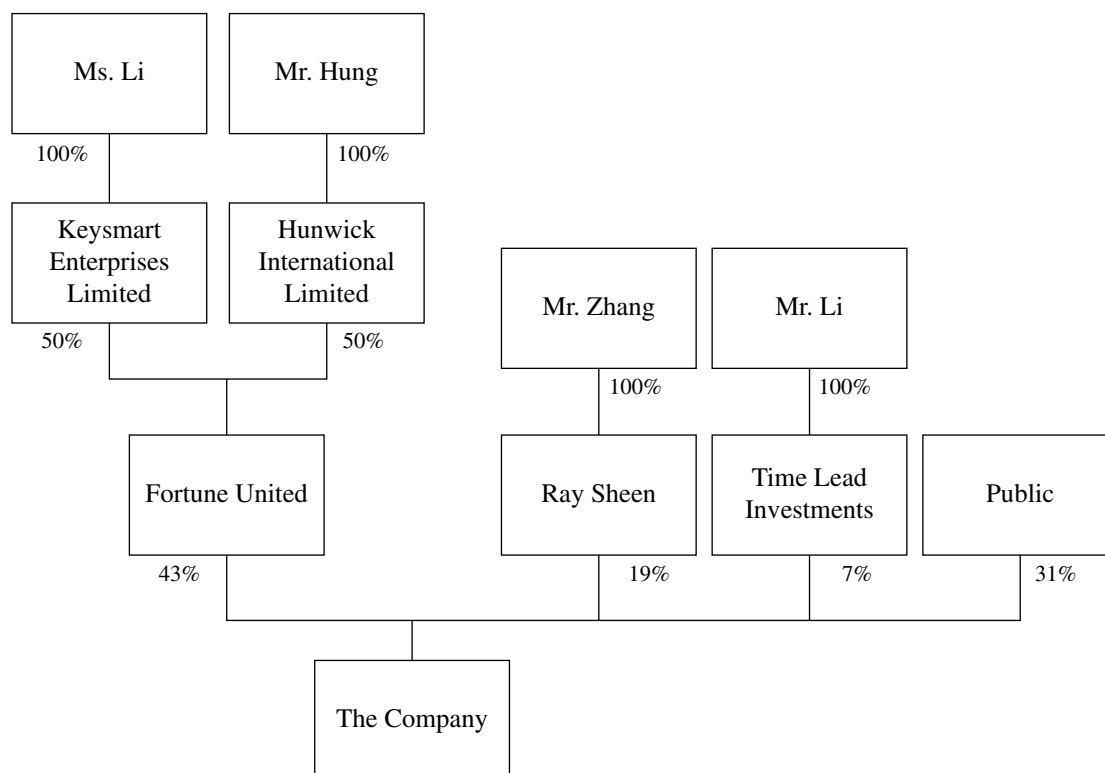
IV. LOCK-UP UNDERTAKINGS

In connection with the Zhang Acquisition, Mr. Zhang, Fortune United and the Company executed a deed of undertaking dated 14 January, 2004 pursuant to which Mr. Zhang has undertaken to the Company and Fortune United that he will not, without the prior consent of the Company and Fortune United, directly or indirectly sell, transfer, assign or dispose of all or any of the Zhang Shares within a period of six months from 14 January, 2004 (being the completion date of the Zhang Acquisition).

In connection with the Li Acquisition, Mr. Li, Fortune United and the Company executed a deed of undertaking dated 14 January, 2004 pursuant to which Mr. Li has undertaken to the Company and Fortune United that he will not, without the prior consent of the Company and Fortune United, directly or indirectly, sell, transfer, assign or dispose of all or any of the Li Shares within a period of six months from 14 January, 2004 (being the completion date of the Li Acquisition).

V. REDUCTION OF SHAREHOLDING INTEREST OF FORTUNE UNITED IN THE COMPANY

Following the completion of the Zhang Acquisition and the Li Acquisition, the shareholding structure of the Company is as follows:



Mr. Zhang is an executive Director and the President of the Company. He is primarily responsible for overseeing the day-to-day operations of the Group. Mr. Zhang joined the Group in September 1996 shortly after the Group was founded in December 1995.

Mr. Li is a director of Suzhou Dawnrays Pharmaceuticals Co., Ltd. and Suzhou Dawnrays Chemical Co., Ltd., both of which are wholly-owned subsidiaries of the Company. Mr. Li is also a director of Shanghai Dawnrays Chemical Co., Ltd., a non wholly-owned subsidiary of the Company. Mr. Li joined the Group in April, 2000. Mr. Li is primarily responsible for product development.

Both Mr. Zhang and Mr. Li have made significant contributions to the Group. They have remained to be key management members of the Group. In recognition of their past contributions and to provide added incentive for their future contribution to the Group, Ms. Li and Mr. Hung considered it appropriate for Fortune United to sell the Zhang Shares to Mr. Zhang and the Li Shares to Mr. Li. Each of Ms. Li and Mr. Hung has confirmed to the Board that she or he has no present intention to further dispose of her or his shareholding in the Company.

The Group is principally engaged in the development, manufacture and sale of non-patented chemical medicines. The Board does not envisage that there will be any change in the core business of the Group as a result of the Zhang Acquisition and the Li Acquisition. Each of Mr. Zhang and Mr. Li has confirmed to the Board that he does not have any present intention to inject any business or assets into the Group.

VI. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:-

“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Dawnrays Pharmaceutical (Holdings) Limited, a company incorporated with limited liability in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Fortune United”	Fortune United Group Limited, a company incorporated with limited liability in the BVI which is ultimately owned as to 50% by Ms. Li and as to 50% by Mr. Hung and is a substantial shareholder of the Company
“Group”	the Company and its subsidiaries
“Li Agreement”	the sale and purchase agreement dated 14 January, 2004 and made between Fortune United and Time Lead Investments relating to the Li Acquisition
“Li Acquisition”	the acquisition of the Li Shares by Time Lead Investments from Fortune United under the Li Agreement
“Li Consideration”	the cash consideration of HK\$42,000,000 payable by Time Lead Investments to Fortune United under the Li Agreement in respect of the Li Acquisition
“Li Shares”	56,000,000 Shares, representing 7% of the Total Issued Capital, acquired by Time Lead Investments pursuant to the Li Agreement
“Mr. Hung”	Mr. Hung Yung Lai, a Director
“Mr. Li”	Mr. Li Tung Ming, a Director
“Mr. Zhang”	Mr. Zhang Jing Xing, a Director
“Ms. Li”	Ms. Li Kei Ling, a Director

“Ray Sheen”	Ray Sheen Company Limited, a company incorporated with limited liability in the BVI and wholly-owned by Mr. Zhang
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“substantial shareholder”	has the meaning ascribed to it in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Time Lead Investments”	Time Lead Investments Limited, a company incorporated with limited liability in the BVI and wholly-owned by Mr. Li
“Total Issued Capital”	the total issued share capital of the Company as at 14 January, 2004 comprising 800,000,000 Shares
“Zhang Agreement”	the sale and purchase agreement dated 14 January, 2004 and made between Fortune United and Ray Sheen relating to the Zhang Acquisition
“Zhang Acquisition”	the acquisition of the Zhang Shares by Ray Sheen from Fortune United under the Zhang Agreement
“Zhang Consideration”	the cash consideration of HK\$114,000,000 payable by Ray Sheen to Fortune United under the Zhang Agreement in respect of the Zhang Acquisition
“Zhang Shares”	152,000,000 Shares, representing 19% of the Total Issued Capital, acquired by Ray Sheen pursuant to the Zhang Agreement

By order of the board of Directors
Li Kei Ling
Chairman

Hong Kong, 14 January, 2004

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