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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)

(Stock Code: 2348)

**DISCLOSEABLE TRANSACTION
MARKETING AUTHORIZATION HOLDER (MAH) IN RESPECT OF FEBUXOSTAT**

On 24 December 2019 (after trading hours), Suzhou Dawnrays, an indirect wholly owned subsidiary of the Company, entered into the MAH Assignment Agreement with Nanjing Haina, whereby Nanjing Haina is to assign the MAH in respect of Febuxostat tablets (40mg,80mg) and API to Suzhou Dawnrays for an aggregate consideration of up to RMB240 million (equivalent to HK\$266.46million).

As the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the MAH Assignment Agreement exceed 5% but below 25%, the transactions contemplated under the MAH Assignment Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

MAH ASSIGNMENT AGREEMENT

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**for identification purpose only*

Below is a brief summary of the principal terms of the MAH Assignment Agreement:

Date: 24 December 2019

Parties: Suzhou Dawnrays (as assignee); and
Nanjing Haina (as assignor)
The single largest shareholder of Nanjing Haina (holding approximately 55.7% equity interest) is a PRC individual who holds a PhD in pharmaceutical engineering and is a professor in pharmaceutical sciences in a university in the PRC, with extensive experience in research and development of pharmaceutical products. The other minority shareholders of Nanjing Haina include employee ownership vehicles and the senior management of Nanjing Haina, venture capital funds and investment funds, and a pharmaceutical company.

Nanjing Haina is a company incorporated under the laws of the PRC and it is principally engaged in the business of research and development of pharmaceutical products and sale of chemical products. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Nanjing Haina and its ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

Subject Matter: MAH Assignment in respect of Febuxostat tablets (40mg, 80mg) and API. Application has been made for the manufacture approval of the Febuxostat tablets (40mg, 80mg) and it is expected that the approval will be obtained by 31 October 2020. Nanjing Haina will also assign the relevant know-how and rights to Suzhou Dawnrays.

With the MAH qualification, an MAH is permitted to manufacture or sell the relevant pharmaceuticals, either on its own or through a manufacturer or distributor.

Consideration and payment terms: The total consideration in respect of the assignment of the MAH comprises: -

- (a) a fixed sum of RMB40 million, to be paid by Suzhou Dawnrays to Nanjing Haina in the following manner: -
 - (i) as to RMB20 million within 10 business days of the signing of the MAH Assignment Agreement;
 - (ii) as to RMB10 million after the obtaining of the manufacturing approval and the MAH and receipt of value-added tax invoice issued by Nanjing Haina;

- (iii) as to RMB5 million within 10 business days after completion and quality approval of three batches of Febuxostat tablets (40mg, 80mg);
- (iv) as to RMB5 million within 10 business days after the completion of the registration process with the relevant pharmaceutical authority for the transfer of the MAH from Nanjing Haina to Suzhou Dawnrays.

- (b) 4% of income from sales of Febuxostat tablets sold by the Group for the 10 years from the obtaining of the MAH and commencement of sales of Febuxostat tablets, up to RMB200 million. Suzhou Dawnrays is required to make up any shortfall if 4% of income from sales of Febuxostat tablets (i) is lower than RMB20 million in aggregate during the first five year period, and (ii) is lower than RMB30 million in aggregate during the second five year period.

Sales and
Manufacture of
Febuxostat tablets:

Upon the obtaining of the MAH, Suzhou Dawnrays has the right to sell the Febuxostat tablets.

During the first five year period from the obtaining of the MAH, unless the parties otherwise agree, an associated company of Nanjing Haina will be appointed for the manufacture of Febuxostat tablets. Suzhou Dawnrays may appoint any other manufacturer for the manufacture of Febuxostat tablets after expiry of the five year period.

Default:

If MAH in respect of the Febuxostat tablets is not obtained by 31 March 2021, Suzhou Dawnrays is entitled to the return of consideration paid, together with a daily default payment on the consideration paid calculated at the current deposit rate promulgated by People's Bank of China.

If the transfer of registration of MAH in respect of the Febuxostat tablets (40mg,80mg) from Nanjing Haina to Suzhou Dawnrays is not able to be completed, Suzhou Dawnrays is entitled to terminate the MAH Assignment Agreement and require the return of consideration paid.

If Nanjing Haina through its own channel or allow third parties other than Suzhou Dawnrays to sell the Febuxostat tablets, Suzhou Dawnrays is entitled to terminate the MAH Assignment Agreement and require the return of consideration paid, together with a default payment equivalent to the consideration paid. If for reason other than default on the part of Nanjing Haina the distribution right of the Febuxostat tablets is not transferred to Suzhou Dawnrays, Suzhou Dawnrays is entitled to terminate the MAH Assignment Agreement and require the return of consideration paid.

If there is any intellectual property infringement dispute in respect of which any competent court issues an order to suspend sale of the Febuxostat tablets for more than 180 days, Suzhou Dawnrays is entitled to terminate the MAH Assignment Agreement and require the return of consideration paid and indemnity from Nanjing Haina of loss incurred therefrom.

If Suzhou Dawnrays delays in making any payments under the MAH Assignment Agreement for more than thirty business days, Nanjing Haina is entitled to terminate the MAH Assignment Agreement.

Any late payment under the MAH Assignment Agreement is subject to a daily default payment of 0.05% on the outstanding amount.

The terms of the MAH Assignment Agreement were arrived after arms' length negotiation between Suzhou Dawnrays and Nanjing Haina, with the aggregate consideration determined with reference to the costs of research and development and the timing of the expected launch of, and the potential of the market for, the Febuxostat tablets.

REASONS FOR THE ENTERING INTO THE MAH ASSIGNMENT AGREEMENT

The Group is principally engaged in the development, manufacture and sale of non-patented pharmaceutical medicines including intermediate pharmaceuticals, bulk medicines and finished drugs. The Group has established product brands in the cardiovascular, anti-HBV (Hepatitis B virus), anti-allergic and third-generation cephalosporin antibiotics medicine fields. Suzhou Dawnrays is a company incorporated under the laws of the PRC principally engaged in the business of manufacture and sale of pharmaceutical products.

Febuxostat is a medication recommended by clinical guidelines to treat gout due to high uric acid levels, and is on the national drug catalogue covered by national medical insurance in the PRC. The Directors note that there is an increasing number of hyperuricemia patients in China and the demand for gout treatment medication is expected to grow. There are three other pharmaceutical manufacturers in China that have obtained generic drug production approvals for Febuxostat, but they are yet to pass the consistency evaluation.

It is expected that the transactions contemplated under the MAH Assignment Agreement will expand the range of products offered by the Group, and the Group can leverage on its sales network and resources to promote the Febuxostat tablets, which would in turn strengthen the overall competitiveness of the Group.

In view of the above, the Directors are of the view that the terms of the MAH Assignment Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the relevant applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the MAH Assignment Agreement exceed 5% but below 25%, the transactions contemplated under the MAH Assignment Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

DEFINITIONS

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

“API”	active pharmaceutical ingredient
“Board”	the board of Directors
“Company”	Dawnrays Pharmaceutical (Holdings) Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Haina”	Nanjing Haina Medical and Pharmaceutical Technology Company Limited* 南京海納醫藥科技股份有限公司, a limited liability company established in PRC

** for identification purpose only*

“PRC”	People’s Republic of China
“MAH”	marketing authorization holder 上市許可持有人
“MAH Assignment Agreement”	非布司他原料藥及片 (40mg, 80mg) 上市許可持有人 (MAH) 轉讓協議 (Assignment Agreement of MAH in respect of Febuxostat tablets (40mg, 80mg) and API*) dated 24 December 2019 entered into between Suzhou Dawnrays and Nanjing Haina
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the ordinary shares of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Dawnrays”	Suzhou Dawnrays Pharmaceutical Co., Ltd* 蘇州東瑞製藥有限公司, a limited liability company established in PRC, an indirect wholly-owned subsidiary of the Company
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate RMB1 to HK\$1.11025 respectively. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By Order of the Board of
Dawnrays Pharmaceutical (Holdings) Limited
Li Kei Ling
Chairman

Hong Kong, 24 December 2019

As at the date of this announcement, the Board of the Company comprises three executive directors, namely Ms. Li Kei Ling, Mr. Hung Yung Lai and Mr. Chen Shaojun; one non-executive director, namely Mr. Leung Hong Man; three independent non-executive directors, namely Mr. Lo Tung Sing Tony, Mr. Ede, Ronald Hao Xi and Ms. Lam Ming Yee Joan.

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