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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)

DISCLOSEABLE TRANSACTION CONSTRUCTION AGREEMENT

CONSTRUCTION AGREEMENT

On 24 June 2020, Lanzhou Dawnrays (an indirect wholly-owned subsidiary of the Company) entered into the Construction Agreement with Gansu No.7 Construction pursuant to which Lanzhou Dawnrays has appointed Gansu No.7 Construction as the contractor to carry out the construction works of the production plant of intermediates and bulk medicines and ancillary buildings in Lanzhou, Gansu Province, the PRC, for an aggregate contract amount of RMB105,880,000 (approximately HK\$116,256,240), subject to adjustments.

LISTING RULE IMPLICATIONS

As one or more of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Construction Agreement exceeds 5% but all relevant percentage ratios are less than 25%, the transactions contemplated under the Construction Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

On 24 June 2020, Lanzhou Dawnrays (an indirect wholly-owned subsidiary of the Company) entered into the Construction Agreement with Gansu No.7 Construction pursuant to which Lanzhou Dawnrays has appointed Gansu No.7 Construction as the contractor to carry out the construction works of the production plant of intermediates and bulk medicines and ancillary buildings in Lanzhou, Gansu Province, the PRC, for an aggregate contract amount of RMB105,880,000 (approximately HK\$116,256,240), subject to adjustments.

PRINCIPAL TERMS OF THE CONSTRUCTION AGREEMENT

Date

24 June 2020

Parties

(1) Lanzhou Dawrays

(2) Gansu No. 7 Construction

Gansu No. 7 Construction is principally engaged in construction of building, municipal public works and curtain wall, mechanical and electrical installations, fire service installations, road and bridge works. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Gansu No. 7 Construction and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

Subject matter

Gansu No. 7 Construction is appointed as the contractor in respect of the construction works of the production plant of intermediates and bulk medicines and ancillary buildings of Lanzhou Dawnrays in Lanzhou, Gansu Province, the PRC.

Construction period

The construction period is expected to be 160 days ending on or about 15 November 2020.

Contract price and payment terms

The contract price payable by Lanzhou Dawnrays under the Construction Agreement is RMB105,880,000, subject to adjustment pursuant to the terms of the Construction Agreement. During the construction period, in the event that the price of steel reinforcement, concrete, pre-mixed mortar and steel structure sections to be used at the construction works fluctuates over 5% from the market unit price published 28 days before the completion of Lanzhou Dawnrays' public tendering of the construction work, the contract price will be adjusted in accordance with the terms and conditions of the Construction Agreement.

20% of the contract price will be paid before commencement of the construction work, and up to 95% of the contract price will be settled in accordance with the scheduled milestone construction progress. The balance of 5% of the contract price will be paid after the expiry of the 2 year warranty period following completion and acceptance of the construction work.

The Construction Agreement was awarded to Gansu No. 7 Construction through a public tendering process after evaluation of various factors including, among other things, the scope of work, bid price and the background and experience of the bidders. The contract price was arrived after arms length negotiation between the parties following the award to Gansu No. 7 Construction, which represents a discount of approximately 0.89% to the bid price submitted by Gansu No. 7 Construction.

The contract price will be financed by the Group's internal resources, bank facilities or a combination of both.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

The Group is principally engaged in the development, manufacture and sale of non-patented pharmaceutical products including intermediates, 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. Lanzhou Dawnrays is a company incorporated under the laws of the PRC principally engaged in the development, manufacture and sale of intermediates and bulk medicines and chemical (excluding hazardous chemicals) products.

As disclosed in the Group's annual report 2019, the Group will phase out the production facility of Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. and establish a new production base in Chemical Industry Park, Lanzhou New District, Gansu Province, the PRC. The construction of the production base for intermediates and bulk medicines under the Construction Agreement in the Chemical Industrial Park of the Lanzhou New District is part of the plan of the relocation of the plants to optimize the technologies and production facilities for intermediates and bulk medicines, with a view to further improving the market competitiveness of its products and integrate raw materials and preparations.

In view of the above, the Board considers that the terms of the Construction Agreement are fair and reasonable and the entering into of the Construction Agreement is in the interests of the Company and its shareholders as a whole.

LISTING RULE IMPLICATIONS

As one or more of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Construction Agreement exceeds 5% but all relevant percentage ratios are less than 25%, the transactions contemplated under the Construction Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements 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:

“Company”	Dawnrays Pharmaceutical (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on The Stock Exchange of Hong Kong Limited
“Construction Agreement”	a construction agreement dated 24 June 2020 entered into between Lanzhou Dawnrays and Gansu No.7 Construction in relation to the construction of the production plant of intermediates and bulk medicines and ancillary buildings in Lanzhou, Gansu Province, the PRC

“Director(s)”	director(s) of the Company
“Board”	the board of directors of the Company
“Gansu No.7 Construction”	甘肅第七建設集團股份有限公司 (Gansu No.7 Construction Group Co., Ltd*), a company established under the laws of the PRC with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lanzhou Dawnrays”	蘭州東瑞製藥有限公司 (Lanzhou Dawnrays Pharmaceutical Co., Ltd*), a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

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

Hong Kong, 24 June 2020

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.

In this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.098. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts in RMB or HK\$ were or may have been exchanged at this or any other rates or at all.

**for identification purpose only*