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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 CONSTRUCTION AGREEMENTS

CONSTRUCTION AGREEMENTS

On 14 August 2020, Suzhou Dawnrays (an indirect wholly-owned subsidiary of the Company) entered into the Phase II Construction Agreement with Suzhou Jiasheng Construction pursuant to which Suzhou Dawnrays has appointed Suzhou Jiasheng Construction as the contractor to carry out the construction works of the production plants of finished drugs and sterile bulk medicines and related plants and buildings and ancillary infrastructure in Suzhou, Jiangsu Province, the PRC, for an aggregate contract amount of RMB91,083,467.55 (approximately HK\$101,626,379), subject to adjustments.

On 14 August 2019, Suzhou Dawnrays entered into the Phase I Construction Agreement with Suzhou Jiasheng Construction pursuant to which Suzhou Dawnrays has appointed Suzhou Jiasheng Construction as the contractor to carry out the construction works for the mixed-use office buildings and amenities building in Suzhou, Jiangsu Province, the PRC, for an aggregate amount of RMB23,747,962.61 (approximately HK\$26,496,789).

LISTING RULE IMPLICATIONS

As the highest applicable percentage ratio in respect of the Phase I Construction Agreement is less than 5%, it is fully exempted under Chapter 14 of the Listing Rules. As the Phase I Construction Agreement and the Phase II Construction Agreement were awarded to the same contractor, the transactions under the Construction Agreements will be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules. The aggregate contract amount under the Phase I Construction Agreement and the Phase II Construction Agreement is RMB114,831,430.16 (approximately HK\$128,123,168).

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 Agreements on an aggregated basis exceeds 5% but all relevant percentage ratios are less than 25%, the transactions contemplated under the Construction Agreements 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.

BACKGROUND, AND REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENTS

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 antibiotic medicines. To expand scope of business, the Group established a joint venture with Akeso Biopharma Inc.(中山康方生物醫藥有限公司) in 2016. The joint venture is currently processing clinical trials for two biopharmaceuticals. Suzhou Dawnrays (an indirect wholly-owned subsidiary of the Company) is a company incorporated under the laws of the PRC principally engaged in the development, manufacture and sale of pharmaceutical products.

As disclosed in the Company's announcement dated 20 December 2017, Suzhou Dawnrays has been requested by the local government to relocate its production plant in Suzhou, the PRC. As part of the relocation plan, on 14 August 2019, Suzhou Dawnrays entered into the Phase I Construction Agreement with Suzhou Jiasheng Construction in respect of the construction works for the mixed-use office buildings and amenities building in the new production base, for an aggregate amount of RMB23,747,962.61 (approximately HK\$26,496,789). The Phase I Construction Agreement was awarded to Suzhou Jiasheng Construction through a public tendering process and the contract price was the bid price submitted by Suzhou Jiasheng Construction and accepted by Suzhou Dawnrays. The contract price is financed by the Group's internal resources, bank facilities or a combination of both. It is expected the Phase I construction will be completed by end of August 2020.

On 14 August 2020, Suzhou Dawnrays entered into the Phase II Construction Agreement with Suzhou Jiasheng Construction pursuant to which Suzhou Dawnrays has appointed Suzhou Jiasheng Construction as the contractor to carry out the construction works of the production plants of finished drugs and sterile bulk medicines and related plants and buildings and ancillary infrastructure in Suzhou, Jiangsu Province, the PRC, for an aggregate contract amount of RMB91,083,467.55 (approximately HK\$101,626,379), subject to adjustments.

As the construction of the production plants and ancillary facilities under the Construction Agreements is to establish the new production base in Wuzhong Economic Development District, Suzhou with technical upgrade and increase in equipment level and manufacturing capacity, and each of the Construction Agreements was awarded 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 Board considers that the terms of the Construction Agreements are fair and reasonable and the entering into of the Construction Agreements is in the interests of the Company and its shareholders as a whole.

PRINCIPAL TERMS OF THE PHASE II CONSTRUCTION AGREEMENT

Date

14 August 2020

Parties

(1) Suzhou Dawnrays

(2) Suzhou Jiasheng Construction

Suzhou Jiasheng Construction is principally engaged in construction works, municipal public works, mechanical and electrical installations, fire service installations, civil engineering consultation. Suzhou Jiasheng Construction is owned as to approximately 99% by 蘇州嘉盛集團有限公司 (Suzhou Jiasheng Group Co. Ltd.*) (which is wholly owned by Mr. Zhang Quannan 張全男) and approximately 1% by two PRC individuals. Mr. Zhang is the chairman of 蘇州嘉盛集團有限公司 (Suzhou Jiasheng Group Co. Ltd.*) and has over 30 years of experience in construction and civil engineering. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Suzhou Jiasheng Construction and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

Subject matter

Suzhou Jiasheng Construction is appointed as the contractor in relation to the construction of the production plants of finished drugs and sterile bulk medicines and related plants and buildings and ancillary infrastructure (including road and fence base) for Suzhou Dawnrays in Suzhou, Jiangsu Province, the PRC.

Construction period

The construction period is expected to be 285 days, scheduled to end on or about 25 May 2021.

Contract price and payment terms

The contract price payable by Suzhou Dawnrays under the Phase II Construction Agreement is RMB91,083,467.55 (approximately HK\$101,626,379), subject to adjustment pursuant to the terms of the Phase II Construction Agreement. During the construction period, in the event that the price of steel reinforcement, concrete, pre-mixed mortar, cement stabilised crushed rock and steel structure sections to be used at the construction works fluctuates over 5% from the market unit price published by the local authorities, the contract price will be adjusted in accordance with the formula set out in the terms and conditions of the Phase II Construction Agreement. Having considered the recent prices of the relevant raw materials in Suzhou, it is expected that adjustment (if any) to contract price will not be material.

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 contract price RMB91,083,467.55 (approximately HK\$101,626,379) comprises the bid price of RMB83,760,000 (approximately HK\$93,455,220) submitted by Suzhou Jiasheng Construction for the construction of the production plants of finished drugs and sterile bulk medicines and related plants and buildings in a public tendering process and accepted by Suzhou Dawnrays, and the contract price of RMB7,323,467.55 (approximately HK\$8,171,159) for construction of ancillary infrastructure arrived after arms-length negotiation between the parties after the tender award.

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

LISTING RULE IMPLICATIONS

As the highest applicable percentage ratio in respect of the Phase I Construction Agreement is less than 5%, it is fully exempted under Chapter 14 of the Listing Rules. As the Phase I Construction Agreement and the Phase II Construction Agreement were awarded to the same contractor, the transactions under the Construction Agreements will be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules. The aggregate contract amount under the Phase I Construction Agreement and the Phase II Construction Agreement is RMB114,831,430.16 (approximately HK\$128,123,168).

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 Agreements on an aggregated basis exceeds 5% but all relevant percentage ratios are less than 25%, the transactions contemplated under the Construction Agreements 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
“Construction Agreements”	Phase I Construction Agreement and Phase II Construction Agreement
“Director(s)”	director(s) of the Company
“Board”	Board of directors of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Phase I Construction Agreement”	a construction agreement dated 14 August 2019 entered into between Suzhou Dawnrays and Suzhou Jiasheng Construction in relation to the construction of mixed-use office buildings and amenities building in Suzhou, Jiangsu Province, the PRC
“Phase II Construction Agreement”	a construction agreement dated 14 August 2020 entered into between Suzhou Dawnrays and Suzhou Jiasheng Construction in relation to the construction of the production plants of finished drugs and sterile bulk medicines and related plants and buildings and ancillary infrastructure in Suzhou, Jiangsu Province, the PRC
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Dawnrays”	蘇州東瑞製藥有限公司 (Suzhou Dawnrays Pharmaceutical Co., Ltd*), a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company
“Suzhou Jiasheng Construction”	蘇州嘉盛建設工程有限公司 (Suzhou Jiasheng Construction Co., Ltd*), a company established under the laws of the PRC with limited liability

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

Hong Kong, 14 August 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\$1.11575. 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*