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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “Board”) of directors (the “Directors”) 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 2020 (the “period”) together with the comparative figures in 2019. These interim results have been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

Unaudited	For the six months ended 30 June		
	2020	2019	Change
Revenue (RMB'000)	488,993	490,750	-0.4%
Gross Profit (RMB'000)	264,736	295,075	-10.3%
Gross Profit Margin	54.1%	60.1%	-6.0percentage points
Profit before tax (RMB'000)	161,905	186,956	-13.4%
Profit for the period attributable to owners of the parent (RMB'000)	129,691	150,416	-13.8%
Net Profit Margin	26.5%	30.7%	-4.2percentage points
Earnings per share -- basic (RMB)	0.08362	0.09485	-11.8%
Interim dividend per share (HK\$)	0.015	0.015	-
Net asset value per share (RMB)	1.356	1.246	8.8%

*for identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
Notes		RMB'000	<i>RMB'000</i>
	Revenue	3 488,993	490,750
	Cost of sales	<u>(224,257)</u>	<u>(195,675)</u>
	Gross profit	264,736	295,075
	Other income and gains	3 28,182	20,541
	Selling and distribution expenses	(39,475)	(52,372)
	Administrative expenses	(50,282)	(44,401)
	Other expenses	(27,735)	(25,366)
	Finance costs	4 (3,561)	(1,007)
	Share of profits and losses of an associate	<u>(9,960)</u>	<u>(5,514)</u>
	PROFIT BEFORE TAX	5 161,905	186,956
	Income tax expense	6 <u>(34,353)</u>	<u>(36,540)</u>
	PROFIT FOR THE PERIOD	<u>127,552</u>	<u>150,416</u>
	Attributable to:		
	Owners of the parent	129,691	150,416
	Non-controlling interest	<u>(2,139)</u>	<u>-</u>
		<u>127,552</u>	<u>150,416</u>
	EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8	
	- basic, for profit for the period	<u>RMB0.08362</u>	<u>RMB0.09485</u>
	- diluted, for profit for the period	<u>RMB0.08362</u>	<u>RMB0.09485</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>127,552</u>	<u>150,416</u>
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences	<u>(4,206)</u>	<u>(8,882)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(4,206)</u>	<u>(8,882)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>123,346</u>	<u>141,534</u>
Attributable to:		
Owners of the parent	<u>125,485</u>	141,534
Non-controlling interest	<u>(2,139)</u>	<u>-</u>
	<u>123,346</u>	<u>141,534</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS	<i>Notes</i>		
Property, plant and equipment		459,239	462,832
Right-of-use assets		128,571	106,523
Construction in progress		33,965	26,945
Goodwill		241,158	241,158
Other intangible assets		196,161	149,663
Investment in an associate		107,480	77,440
Deferred tax assets		5,473	6,643
 Total non-current assets		 1,172,047	 1,071,204
 CURRENT ASSETS			
Inventories	9	205,842	180,759
Trade and notes receivables	10	308,813	370,994
Prepayments, other receivables, and other assets		106,105	186,139
Financial assets at fair value through profit or loss		476,401	505,830
Cash and bank		536,614	471,461
 Total current assets		 1,633,775	 1,715,183
 CURRENT LIABILITIES			
Trade and notes payables	11	153,088	156,764
Other payables and accruals		183,807	239,907
Interest-bearing bank borrowings		113,399	216,776
Lease liabilities		502	66
Income tax payable		12,293	5,809
 Total current liabilities		 463,089	 619,322
 NET CURRENT ASSETS		 1,170,686	 1,095,861
 TOTAL ASSETS LESS CURRENT LIABILITIES		 2,342,733	 2,167,065

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
<i>Notes</i>	RMB'000	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Other liabilities	175,595	70,238
Government grants	1,200	1,200
Lease liabilities	2,420	2,841
Deferred tax liabilities	60,382	66,474
	<hr/>	<hr/>
Total non-current liabilities	239,597	140,753
	<hr/>	<hr/>
Net assets	2,103,136	2,026,312
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	82,605	82,867
Treasury shares	-	(161)
Reserves	2,006,994	1,942,930
	<hr/>	<hr/>
	2,089,599	2,025,636
	<hr/>	<hr/>
Non-controlling interests	13,537	676
	<hr/>	<hr/>
Total equity	2,103,136	2,026,312
	<hr/>	<hr/>

NOTES:

1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

1.1 Corporate and Group Information

Dawnrays Pharmaceutical (Holdings) Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 20 September 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is located at Units 3001-02, 30/F, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the “Group”) underwent a reorganisation on 21 June 2003 to rationalise the Group’s structure in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), pursuant to which the Company became the holding company of the Group (the “Group Reorganisation”).

The shares of the Company were listed on the Main Board of the Stock Exchange on 11 July 2003.

The Group is principally engaged in the development, manufacture and sale of non-patented pharmaceutical medicines including intermediate pharmaceutical, bulk medicines and finished drugs. It also invests in a joint venture to research and develop biopharmaceutical products and technologies. In the opinion of the Directors, Fortune United Group Limited, a company incorporated in the British Virgin Islands, is the ultimate holding company of the Company.

1.2 Basis of preparation

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 (collectively defined as the “interim financial information”) have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim financial reporting and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss which have been measured at fair value.

The interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements have not been audited. These interim condensed consolidated financial statements were approved and authorized for issue by the Board on 25 August 2020.

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 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations) as issued by the International Accounting Standards Board (“IASB”).

1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(continued)*

1.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised standards effective as of 1 January 2020 for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The adoption of the above revised IFRSs has had no significant financial effect on these financial statements.

2. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and has two reportable segments as follows:

- a) Manufacture and sale of intermediates and bulk medicines (the "intermediates and bulk medicines" segment)
- b) Manufacture and sale of finished drugs (including antibiotics finished drugs and non-antibiotics finished drugs) (the "finished drugs" segment)

Management monitors the operating results of these operating segments for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, government grants, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and bank, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue and results by operating segment for the period:

Six months ended 30 June 2020 (unaudited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Elimination of intersegment sales RMB'000	Total RMB'000
Segment Revenue:				
Sales to external customers	107,309	381,684	-	488,993
Intersegment sales	26,813	-	(26,813)	-
	134,122	381,684	(26,813)	488,993
Segment Results	6,258	214,178	-	220,436
<i>Reconciliation:</i>				
Unallocated gains				23,333
Corporate and other unallocated expenses				(78,303)
Finance costs				(3,561)
Profit before tax				161,905
Six months ended 30 June 2019 (unaudited)	Intermediates and bulk medicines RMB'000	Finished drugs RMB'000	Elimination of intersegment sales RMB'000	Total RMB'000
Segment Revenue:				
Sales to external customers	118,979	371,771	-	490,750
Intersegment sales	17,469	-	(17,469)	-
	136,448	371,771	(17,469)	490,750
Segment Results	614	236,737	-	237,351
<i>Reconciliation:</i>				
Unallocated gains				19,037
Corporate and other unallocated expenses				(68,425)
Finance costs				(1,007)
Profit before tax				186,956

2. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's assets by operating segment:

As at	Intermediates	Finished	Total
30 June 2020 (unaudited)	and bulk medicines	drugs	RMB'000
	RMB'000	RMB'000	RMB'000
Segment Assets:	447,881	817,339	1,265,220
<u>Reconciliation:</u>			
Corporate and other unallocated assets			<u>1,540,602</u>
Total assets			<u>2,805,822</u>
As at	Intermediates	Finished	Total
31 December 2019 (audited)	and bulk medicines	drugs	RMB'000
	RMB'000	RMB'000	RMB'000
Segment Assets:	448,157	754,425	1,202,582
<u>Reconciliation:</u>			
Corporate and other unallocated assets			<u>1,583,805</u>
Total assets			<u>2,786,387</u>

3. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	For the six months	
	ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	<i>RMB'000</i>
Revenue		
Revenue from contracts with customers	<u>488,993</u>	<u>490,750</u>

3. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2020

<u>Segments</u>	Intermediates & bulk medicines RMB'000	Finished drugs RMB'000	Total RMB'000
Type of goods or services			
Sale of goods	104,992	381,684	486,676
Rendering of pilot test services	2,317	-	2,317
Total revenue from contracts with customers	<u>107,309</u>	<u>381,684</u>	<u>488,993</u>
Geographical markets			
Mainland China	60,612	380,994	441,606
Other countries	46,697	690	47,387
Total revenue from contracts with customers	<u>107,309</u>	<u>381,684</u>	<u>488,993</u>
Timing of revenue recognition			
Goods transferred at a point in time	104,992	381,684	486,676
Services transferred over time	2,317	-	2,317
Total revenue from contracts with customers	<u>107,309</u>	<u>381,684</u>	<u>488,993</u>

For the six months ended 30 June 2019

<u>Segments</u>	Intermediates & bulk medicines RMB'000	Finished drugs RMB'000	Total RMB'000
Type of goods or services			
Sale of goods	117,061	371,771	488,832
Rendering of pilot test services	1,918	-	1,918
Total revenue from contracts with customers	<u>118,979</u>	<u>371,771</u>	<u>490,750</u>
Geographical markets			
Mainland China	78,005	368,256	446,261
Other countries	40,974	3,515	44,489
Total revenue from contracts with customers	<u>118,979</u>	<u>371,771</u>	<u>490,750</u>
Timing of revenue recognition			
Goods transferred at a point in time	117,061	371,771	488,832
Services transferred over time	1,918	-	1,918
Total revenue from contracts with customers	<u>118,979</u>	<u>371,771</u>	<u>490,750</u>

3. REVENUE, OTHER INCOME AND GAINS *(continued)*

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Other income		
Bank interest income	7,363	9,498
Dividend income from financial assets at fair value through profit or loss	-	199
Government grants	2,375	2,547
Foreign exchange differences, net	5,637	441
Others	4,902	1,447
	<u>20,277</u>	<u>14,132</u>
Gains		
Gain on disposal of financial assets at fair value through profit or loss	7,752	2,340
Fair value gains, net: Financial assets at fair value through profit or loss	153	4,069
	<u>28,182</u>	<u>20,541</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest on discounted notes receivable	254	-
Interest on bank loans wholly repayable within five years	3,255	999
Interest on lease liabilities	52	8
	<u>3,561</u>	<u>1,007</u>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cost of inventories sold*	224,257	195,675
Depreciation of property, plant and equipment	24,802	23,895
Depreciation of right-of-use assets**	1,607	671
Research and development costs:		
Amortization of intangible assets***	317	247
Current period expenditure	22,654	18,073
	<u>22,971</u>	<u>18,320</u>
Lease payments not included in the measurement of lease liabilities	<u>857</u>	<u>32</u>
Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	55,863	47,555
Retirement benefits	888	3,820
Accommodation benefits	2,361	1,988
Other benefits	8,501	8,242
Equity-settled share option expense	2,804	3,228
	<u>70,417</u>	<u>64,833</u>
Foreign exchange differences, net	(5,637)	(441)
(Write-off of provision for inventories)/write-down of inventories to net realizable value	(3,468)	5,257
Fair value gains, net:		
Financial assets at fair value through profit or loss	(153)	(4,069)
Bank interest income	(7,363)	(9,498)
Loss on disposal of items of property, plant and equipment	203	141
Gain on disposal of financial assets at fair value through profit or loss	<u>(7,752)</u>	<u>(2,340)</u>

* The depreciation of RMB19,153,000 (2019: RMB18,837,000) for the period is included in "Cost of inventories sold".

** The depreciation of right-of-use assets for the period is included in "Administrative expenses" on the face of the condensed consolidated statement of profit or loss.

*** The amortization of intangible assets for the period is included in "Other expenses" on the face of the condensed consolidated statement of profit or loss.

6. INCOME TAX

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current income tax		
Current income tax charge	27,550	30,706
Adjustments in respect of current income tax in previous years	460	-
Deferred income tax	<u>6,343</u>	<u>5,834</u>
Total tax charge for the period	<u><u>34,353</u></u>	<u><u>36,540</u></u>

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	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Dividend pertaining to the prior year declared in the six months ended 30 June	61,358	81,450
Interim – HK\$0.015* (2019: HK\$0.015) per ordinary share	<u>20,778</u>	<u>21,548</u>

*On 25 August 2020, the Company declared an interim dividend for the year ending 31 December 2020, at HK\$0.015 per share, amounting to a total sum of approximately HK\$23,261,000 (approximately equivalent to RMB20,778,000).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on the profit for the period attributable to ordinary equity holders of the parent of RMB129,691,000 (2019: RMB150,416,000) and the weighted average number of 1,550,860,000 shares (2019: 1,585,767,000 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 RMB129,691,000 (2019: RMB150,416,000) and the weighted average number of 1,550,860,000 shares (2019: 1,585,767,000 shares) in issue during the period after adjusting for the effect of dilutive options.

9. INVENTORIES

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	RMB'000	<i>RMB'000</i>
Raw materials	66,079	65,368
Work in progress	58,439	62,098
Finished goods	84,376	64,449
	208,894	191,915
Less: provision	(3,052)	(11,156)
	205,842	180,759

10. TRADE AND NOTES RECEIVABLES

An ageing analysis of the trade receivables and notes receivable as at 30 June 2020, based on invoice date and net of loss allowance, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables		
Outstanding balances with ages:		
Within 90 days	129,220	171,276
Between 91 and 180 days	11,109	16,380
Between 181 and 270 days	4,654	11,161
Between 271 and 360 days	992	3,630
Over one year	7,683	4,932
	153,658	207,379
Notes receivable	155,155	163,615
	308,813	370,994

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months for major customers.

11. TRADE AND NOTES PAYABLES

An ageing analysis of the trade payables and notes payable as at 30 June 2020 is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Outstanding balances with ages:		
Within 90 days	93,902	102,243
Between 91 and 180 days	57,313	53,942
Between 181 and 270 days	635	143
Between 271 and 360 days	962	100
Over one year	276	336
	153,088	156,764

The 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 board (the “Board”) of directors (the “Directors”) 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 2020 (the “period”). These interim results have been reviewed by the audit committee of the Company.

RESULTS

The Group recorded revenue of approximately RMB488,993,000 for the six months ended 30 June 2020 (2019: RMB490,750,000), basically remained flat compared to the correspondent period of 2019. Profit attributable to the owners of the parent was approximately RMB129,691,000 (2019: RMB150,416,000), representing a decrease of approximately 13.8% compared to the same period of 2019. The decrease in profit during the period was mainly due to the year-on-year decrease in sales amount of Entecavir Dispersible Tablets and powder for injection.

BUSINESS REVIEW AND PROSPECT

During this period, the outbreak of novel coronavirus pneumonia had an impact on all trades and industries to varying degrees. In terms of the pharmaceutical industry, during the outbreak, there was a significant decrease in the number of outpatients and inpatients in hospitals. There was an interruption in the industry supply chain due to production suspension. Delay in logistics took place. Except the sharp increase in the demand for products in relation to epidemic prevention and control, diagnosis, treatment, etc., operations in other processes were affected to varying degrees. Therefore, results of operations generally faltered, as compared with the same period of last year.

After the outbreak of novel coronavirus pneumonia, the management of the Group took prevention and control measures in accordance with the guidelines of the government. Subject to protection of the health of employees, they resumed the work and production, ensuring the supply of various products, and made efforts to minimize the impact of the outbreak on corporate production and operation. However, due to the wide impact of the outbreak on the external management environment, the progress of resumption of operation by terminal customers in the market varied in the later period, which affected the sales channels, with a serious influence on the sales of powder for injection and cephalosporin oral-form-preparations.

During the period, the profit of the Group decreased, due to the impact of the outbreak of novel coronavirus pneumonia, as well as a fall in the profit margins of Amlodipine Besylate Tablets, Entecavir Dispersible Tablets and other main varieties of the Group in respect of which bids were won in the centralized procurement of drugs by the state, compared with the same period of last year. However, the huge supply under centralized procurement contracts for varieties in respect of which the bids were won, not only stabilized the sales revenue of the Group, but also helped the Group comprehensively reduce the production costs of each types of products, especially specific medicine, thus comprehensively increasing the competitiveness of the Group’s products.

Immediately following the previous two rounds of national centralized procurement of drugs, a new round of centralized procurement of drugs commenced at the end of July in the year. The Group is fully aware that the normalization of group purchasing organization will lead to the trend of continuous fall in

the drug price, resulting in increased competition between enterprises. In order to meet the market demand and seek broader room for its development, the Group has made efforts to strengthen its product structure, improve its product quality, and has been committed to innovation and upgrade. In the past few years, the development and research team of the Group has not only devoted itself to organizing the quality consistency evaluation of its existing products, but also actively invested resources in research and development of new products and technologies. In addition, the Group conducted strategic corporate merger and acquisition, acquired drug under research and established joint venture drug research and development enterprise. The Company carries out endogenous development of varieties and exogenous expansion of new product mix. Subject to successful implementation of a series of action plans, the Company expects that in the foreseeable future, marketing authorization will be gradually obtained for new products of the Group, which will be launched in the market, thus generating considerable revenue for the Group.

The products of the Group which are under development or transferred are mainly chemical generic drugs with a wide range of medical applications. In order to enhance the vitality of the product mix of the Group, it will continuously and carefully select varieties for research and development, in consideration of both endogenous and exogenous methods, and will develop or transfer high-end new drugs by itself or in cooperation with external scientific research institutions, if this is feasible and promising. For example, Phase II and Phase I clinical trials have been carried out respectively for AK102 (proposed to be used for lowering cholesterol levels) and AK109 (proposed to be used for treating gastric cancer, lung cancer and rectal cancer), both of which are monoclonal antibody agents as well as Class 1 new drugs developed by AD Pharmaceuticals Co., Ltd. jointly established by Dawnrays Biotechnology Capital (Asia) Ltd., a subsidiary of the Company, and Akeso Biopharma Inc.

During the period, Suzhou Dawnrays Pharmaceutical Co., Ltd. and Lanzhou Dawnrays Pharmaceutical Co., Ltd., both of which are subsidiaries of the Group, respectively continued to promote the new factory construction projects in Suzhou and Lanzhou. For details, see the section headed the Management Discussion and Analysis in this report. According to the market analysis and under the policy requirements of review of the relevance of marketed drugs, domestic enterprises that integrate the production of bulk medicines and preparations have obvious advantages in generic drug competition. The Group expects that the completion and use of the new factories in the two places will help improve the production capacity and technological innovation capacity of the Group for intermediates and bulk medicines, and benefit the Group in market competition in the long run. Especially in the centralized procurement of drugs by the state, the Group can capitalize on the advantages of its corporate production cost structure to increase the chances of winning a bid.

In the first half of 2020, continuous promotion by the government of the linked reform of medical treatment, medical insurance and medicines, and the wider scope and normalization of group purchasing organization and consistency evaluation of drugs, as well as various policies and regulations which are implemented and proposed in the second half of the year, will promote further the operation rules and behavioral requirements on drug research and development, approval, production, procurement, distribution, payment and other processes, thus bringing about a more standardized business environment for the industry.

The Company will, on the basis of years of successful experience, strengthen the training and reserve of talents in all fields, and plan and manage research and development, production and sales work in an all-round way, and strive to promote the close combination of the three processes to produce the maximum effect, so as to fully unlock the potential value of the Group's industrial chain and continue to produce a reasonable return on investment for the Company's shareholders.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK\$0.015 per share for the year ending 31 December 2020, approximately amounting to a total sum of HK\$23,261,000 (equivalent to approximately RMB20,778,000).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the period, despite the impact of the outbreak of novel coronavirus pneumonia in the early stage, with the joint efforts of all employees and the opportunity arising out of winning the bids for 4 products of the Group in the centralized procurement in national alliance member regions and the second round of national centralized procurement, there was a significant increase of 50.4% in the sales volume and a fall of 1.1% in the sales of the anti-hypertensive drug in “An” (安) series medicines of the Group, as compared with the same period of 2019; there was a year-on-year increase of 828.6% in the sales volume and an increase of 286.9% in the sales of Fujian Dawnrays series products which are mainly to treat hyperlipidemia; the sales volumes and sales of “Xikewei” (西可韋) and “Xikexin” (西可新), both of which are anti-allergic drugs, were basically flat year-on-year; there was a significant increase of 717% in the sales volume and a decline of 34.9% in the sales of Entecavir Dispersible Tablets as compared with the same period of 2019. Affected by the outbreak, there was a decrease of 12.3% in the sales volume and a decline of 9.8% in sales of cephalosporin intermediates and bulk medicines as compared with the same period of 2019. The segment results of intermediates and bulk medicines recorded profit of RMB6.26 million, due to continuous improvement in product quality and production cost reduction by the Group.

During the period, the Group's marketing management personnel actively supported the centralized procurement by the state, closely reviewed the effectiveness of various business plans, adjusted the Group's product marketing ideas and strategies and strengthened resource allocation in response to rapid changes in the market, actively identified market gaps, deeply engaged in existing markets and developed new product markets to ensure a steady and stable sales of the Group.

PRODUCT RESEARCH AND DEVELOPMENT

Apart from the description in the following section of “NEW PRODUCTS AND PATENT LICENSING”, the Group's ongoing research projects cover the therapeutic areas of the circulatory system, digestive system, endocrine system, antiviral drugs, etc.

Since its opening, Nanjing PharmaRays Science and Technology Co., Ltd. (南京福美瑞信科技有限公司) (“Nanjing PharmaRays”, a research and development enterprise), which was established by the Group

to develop new independently-operated research and development platforms and focus on developing new drug products by the use of new technologies of drug delivery systems for meeting the market demand for drugs in innovative dosage forms, has promoted its work in an orderly manner. The Group will continue investing more resources in production technology and product R&D and innovation, and seek after various forms of external cooperation opportunities so as to strengthen our product mix and profitability foundation.

CONSISTENCY EVALUATION

The Group obtained the supplementary approvals for the consistency evaluation registration of “Metformin Hydrochloride Tablet” in February 2020 and “Azithromycin Tablets” in March 2020. In addition, as at 30 June 2020, the Group carried out the quality consistency research of 18 varieties. A consistency evaluation application for 1 of such varieties has been submitted to the Center for Drug Evaluation, NMPA, while bioequivalence (BE) clinical trials of 5 of such varieties are carried out, and pharmaceutical research into 12 of such varieties is conducted.

PRODUCTION QUALITY

During the period, there was an increase of 9.8% in the production of intermediates and bulk medicines of the Group, and a decrease of 48.5% in the production of its cephalosporin powder for injection mainly due to the impact of the outbreak of novel coronavirus pneumonia, as compared with the same period of last year. The production of solid-dosage-forms increased by 130.8%. Due to the improvement of the Group’s production process and the enhancement of the quality control system, the product quality has been greatly improved, further enhancing the product market competitiveness of the Group.

COST REDUCTION AND EFFICIENCY IMPROVEMENT

During the period, the Group carried out activities of all employees for energy saving, emission reduction, cost reduction and efficiency improvement, and significantly reduced product costs through measures including centralized procurement of materials and cost assessment, which made a great contribution to stabilizing the profitability of the Group.

OTHER MATTERS

During the period, the Group persisted in neglecting neither production nor epidemic prevention, and strictly implemented various epidemic prevention measures to ensure that all potential hazards are eliminated. Work in terms of corporate governance and otherwise is also promoted in an orderly manner, and the safety and environmental protection work is continuously improved. The employee training system was gradually improved. The development of corporate culture was carried out actively, thus further enhancing the cohesion of employees.

NEW PRODUCTS AND PATENT LICENSING

- (1) During the period from January to June 2020, applications were submitted to Jiangsu Medical Products Administration for registration of a total of 4 varieties (including 4 supplementary applications and 2 re-registration applications); 4 supplementary filing cases and 3 re-registration approvals were obtained.
- (2) One utility model patent certificate was obtained in February 2020
An utility model patent certificate (Patent No.: ZL201821641916.5) was granted for the “A kind of full-automatic solid dripping pill production machine”.
- (3) One invention patent certificate was obtained in May 2020
An invention patent certificate (Patent No.: ZL201811249877.9) was granted for the “A kind of method for preparation of sitafloxacin hydrate tablet”.

HONORS AWARDED IN 2020

- (1) In January 2020, Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized as “2019 Top Ten Star Enterprises (Industrial) in Suzhou Wuzhong Economic Development District”.
- (2) In January 2020, Fujian Dawnrays Pharmaceutical Co., Ltd. won the “First Prize for Top Taxpayers in 2019” from Licheng District People’s Government of CPC Licheng District Party Committee.
- (3) In February 2020, Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized by Wuzhong District People’s Government of Suzhou as the “Excellent Foreign-Invested Enterprise”, one of the “Top 100 Enterprises in Real Economy” and the “High-growth Technology Enterprise” in Wuzhong District in 2019.
- (4) In March 2020, Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized by Suzhou Association for Safety Supervision of Hazardous Chemicals (蘇州市危險化學品安全監管協會) as the “Advanced Organization in Terms of Safety Management of Hazardous Chemicals in Suzhou in 2019”.

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the six months ended 30 June 2020, the Group recorded a turnover of approximately RMB488,993,000, basically remained flat with RMB490,750,000 as in the corresponding period of last year. Of which, sales of intermediates and bulk medicines was RMB107,309,000, representing a decrease of RMB11,670,000, or 9.8% as compared with corresponding period of last year; sales of finished drugs was RMB381,684,000, representing an increase of sales amount of RMB9,913,000, or 2.7% as compared with corresponding period of last year.

Finished drugs comprises system specific medicines, powder for injection and tablets of cephalosporin and other oral solid-dosage-form of antibiotics. Taking into account of the total turnover, sales amount of finished drugs was approximately 78.1%, representing an increase of 2.3 percentage points as compared with last year, of which, sales amount of system specific medicines accounted for approximately 95.9% of sales of finished drugs.

Export sales amount accounted for approximately 9.7% of the total turnover. The export destinations mainly included countries and regions such as Italy, Russia and Pakistan etc.

Gross profit was approximately RMB264,736,000, which was decreased by RMB30,339,000 as compared with the corresponding period of last year. Gross profit margin was 54.1%, which was decreased by 6.0 percentage points as compared with 60.1% as in the corresponding period of last year. It was mainly due to joint impact of decrease in gross profit of “An” (安) series and “Entecavir” (恩替卡韋) and increase in gross profit of Fujian Dawnrays series medicines.

TABLE OF TURNOVER ANALYSIS - by product category

PRODUCT	TURNOVER (RMB'000)			SALES BREAKDOWN (%)		
	For the six months ended 30 June			For the six months ended 30 June		Percentage Points
	2020	2019	Changes	2020	2019	changes
Intermediates and						
Bulk Medicines	107,309	118,979	-11,670	21.9	24.2	-2.3
Finished Drugs	381,684	371,771	9,913	78.1	75.8	2.3
Overall	488,993	490,750	-1,757	100.0	100.0	0.0

EXPENSES

During the period, the total expenses incurred were approximately RMB121,053,000, equivalent to 24.8% of turnover (2019: 25.1%), a decrease of 0.3 percentage points as compared with the same period of last year. The total expenses decreased by approximately RMB2,093,000 as compared with the same period of last year. Among them, selling expenses were RMB39,475,000 and decreased by RMB12,897,000 as compared with the corresponding period of last year. It was mainly attributed to the decrease of promotional expenses after national centralized procurement of the Group's major varieties. The

administrative expenses were RMB50,282,000 and increased by RMB5,881,000 as compared with the same period of last year because of the effect of addition of new subsidiaries to the Group. Other expenses were RMB27,735,000 and increased by RMB2,369,000 as compared with the corresponding period of last year. Other expenses mainly included R&D expenses of RMB22,654,000 and other expenditure. R&D expenses increased by RMB4,581,000 as compared with the same period of last year.

SEGMENT PROFIT

For the six months ended 30 June 2020, the segment profit of finished drugs segment was approximately RMB214,178,000, which was decreased by approximately RMB22,559,000 when compared with the segment profit of RMB236,737,000 as in the first half of 2019. The segment profit of intermediates and bulk medicines segment was approximately RMB6,258,000, which was increased by approximately RMB5,644,000 when compared with the profit of RMB614,000 as in the first half of 2019.

INTERESTS AND RIGHTS IN ASSOCIATE

During the period, AD Pharmaceuticals Co., Ltd. (“AD Pharmaceuticals”), which was invested by the Group’s subsidiary Dawnrays Biotechnology Capital (Asia) Ltd. (“Dawnrays Biotechnology”), has carried out Phase II clinical trials for AK102, a monoclonal antibody agent and Phase I clinical trials for AK109, a monoclonal antibody agent. Due to the capital requirement of AD Pharmaceuticals in light of the increase in costs of clinical trials and the increase in number of AK102 Phase II clinical trials involved (from one to three cholesterol-related diseases), Dawnrays Biotechnology accelerated payment of RMB40,000,000 as Phase 3 registered capital and the aggregate invested capital amounted to RMB150,000,000. For the six months ended 30 June 2020, the R&D and administrative expenses occurred by AD Pharmaceuticals have totaled approximately RMB26,781,000. As a result, the Group shared, in proportion to the investment percentage, an investment loss of approximately RMB9,960,000, as compared with that of RMB5,514,000 in the corresponding period of 2019.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the six months ended 30 June 2020, profit attributable to owners of the parent amounted to approximately RMB129,691,000, representing a decrease of RMB20,725,000 or 13.8% as compared with the corresponding period of last year. The decrease was mainly jointly attributed to the decrease in gross profit of “Entecavir ” (恩替卡韋) and also the contribution improvement of Fujian Dawnrays series medicines.

ANALYSIS ON THE RETURN ON ASSETS

As at 30 June 2020, net assets attributable to owners of the parent were approximately RMB2,103,136,000. The return on net assets, which is defined as the profit attributable to owners of the parent divided by net assets attributable to owners of the parent, was 6.2% (2019: 7.6%). The current ratio and quick ratio was 3.5 and 3.1 respectively. Increase in current ratio and quick ratio as compared with last year was mainly attributed to the increase of operating cash flow. Turnover days for trade receivables were approximately 66 days. Turnover days for accounts receivable including trade and notes receivables were approximately 125 days. Turnover days for inventory were approximately 155 days. The turnover days for accounts receivable has decreased 12 days as compared with the corresponding period of last year. The increase of turnover days for inventory of 15 days is mainly due to substantial increase of production volume and stock up of national centralized procurement products.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June, 2020, the Group had financial assets at fair value through profit or loss (comprising of certain listed shares investments) including:

- (i) invested in certain Hong Kong public listed shares amounted approximately RMB5,401,000 (31 December 2019: approximately RMB9,557,000);
- (ii) invested in one-year to three-year bonds issued by China Development Bank amounted RMB40,810,000 (31 December 2019: RMB37,087,000) with expected yield amounting approximately RMB107,000;
- (iii) purchased certain wealth management products of floating income principal-preservation type with annual interest rate from 3.3% to 3.9% of RMB426,000,000 (31 December 2019: RMB455,000,000) from seven good credit worth banks in China including “Sui Xin E”(随心E) with principal amount RMB70,000,000, “Hui Li Feng”(匯利豐) structured deposit of RMB80,000,000 and “Dan Wei Jie Gou Xing Cun Kuan”(單位結構性存款) of total RMB276,000,000 from five other banks. The expected yield would be approximately RMB4,071,000 in total. The wealth management products were mainly relatively lower risk of default. All principal and interests will be paid together on the maturity date. The Board believes that the investment in aforementioned wealth management products can strengthen the financial position of the Group and bring the fruitful contribution to the profit of the Group.
- (iv) during the period, the Group purchased foreign exchange forward contracts amounting to US\$400,000. As at 30 June 2020, a gain of approximately RMB12,000 was recorded in such forward contracts measured at fair value.

The above mentioned financial assets at fair value through profit or loss amounted to approximately RMB476,401,000 (31 December 2019: approximately RMB505,830,000), representing approximately 17.0% (31 December 2019: 18.2%) of the total assets of the Group. For the period ended 30 June 2020, the Group recorded a total of realized gain of approximately RMB7,752,000 from the disposal of financial assets at fair value through profit or loss, and unrealized fair value gain (net) of approximately RMB153,000 for the financial assets at fair value through profit or loss. The Board believes that investing in equity investments and financial assets can diversify the Group's investment portfolio and achieve better returns in the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group held cash and bank balance of approximately RMB536,614,000 (as at 31 December 2019: RMB471,461,000). For the purpose of operating the idle funds more effectively and improve returns, the Group has purchased principal-preservation type of wealth management products and bonds from several banks in Mainland China. In addition to the principal-preservation type of structured deposits and bonds issued by China Development Bank as mentioned above in “Financial asset at fair value through profit or loss”, an amount of RMB50,000,000 in other receivables was fixed interest rate principal-preservation type of wealth management products with annual interest rate 3.65%. The principal and interest of these principal-preservation type of wealth management products and bonds can be received on maturity date.

During the period, the net cash flows from operating activities was approximately RMB138,285,000 (2019: RMB109,501,000). Net cash flows used in investing activities was approximately RMB39,213,000 (2019: RMB427,462,000). Net cash outflows from financing activities was approximately RMB171,296,000 (2019: net cash inflows RMB106,040,000). Cash and cash equivalents decreased by approximately RMB72,224,000 (2019: RMB211,921,000).

As at 30 June 2020, the Group had aggregate bank facilities of approximately RMB1,440,365,000 (as at 31 December 2019: RMB1,307,585,000), of which, bank facilities of RMB160,365,000 were secured by corporate guarantee of the Company. The Group’s short-term interest-bearing bank borrowings was RMB113,399,000 (as at 31 December 2019: RMB216,776,000); consisted of bank loans RMB100,365,000 (as at 31 December 2019: RMB197,377,000) and undue discounted notes receivable RMB13,034,000 (as at 31 December 2019: RMB19,399,000). Interest rate of all borrowings fixed respectively from the lowest 2.2% p.a. to highest 3.35% p.a. As at 30 June 2020, the debt ratio (defined as sum of interest-bearing bank borrowings over total assets) of the Group was 4.0% (as at 31 December 2019: 7.8%).

As at 30 June 2020, the Group had inventory balance approximately RMB205,842,000 (as at 31 December 2019: RMB180,759,000).

SIGNIFICANT INVESTMENT

Considering that Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. will terminate its operation, the Group has made an overall plan to avoid the impact on the supply of intermediates of the Group and also aiming to conform to new national medical insurance and medicine policies, further improve the market competitiveness of its products and integrate raw materials and preparations, the Group has invested in the construction of a production base for bulk medicines and intermediates in the Chemical Industrial Park of the Lanzhou New District. “Lanzhou Dawnrays Pharmaceutical Co., Ltd. (蘭州東瑞製藥有限公司)” was established on 30 December 2019 with a registered capital of US\$25 million. Registered capital of US\$9 million has been contributed during the period. With regard to the project, 250 mu of land has been purchased from Lanzhou New District, with the Phase I fixed asset investment of RMB287 million. The main products are cephalosporin bulk medicines and intermediates, system specific bulk medicines, raw materials of enzyme inhibitors, and raw materials of health supplements. The project was started in June 2020.

During the period, Nanjing PharmaRays Science and Technology Co., Ltd. (南京福美瑞信科技有限公司), a research and development enterprise and a joint venture subsidiary company of the Group, officially commenced its operation. The registered capital is RMB50,000,000, and Suzhou Dawnrays Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Group, has accumulatively contributed registered capital of RMB20,000,000, in accordance with the joint venture agreement. The registered capital of the other two shareholders is also invested according to the joint venture agreement.

Due to the urban planning adjustment of Wuzhong Economic Development District by Suzhou Municipal People's Government, Suzhou Dawnrays Pharmaceutical Co., Ltd. entered into the Relocation Compensation Agreement with the government where it operates on 20 December 2017. Both parties agreed the relocation compensation amount was approximately RMB351,200,000. In January 2018, Suzhou Dawnrays Pharmaceutical Co., Ltd. received the first relocation compensation of RMB70,238,000. Second relocation compensation of RMB105,357,000 was received in March 2020. An investment of RMB355 million is planned for the project which is under construction.

On 24 December 2019, Suzhou Dawnrays Pharmaceutical signed an agreement with Nanjing Haina Medical and Pharmaceutical Technology Company Limited (南京海納醫藥科技股份有限公司), an independent third party, with regard to the transfer of the marketing authorization holder of Febuxostat tablets (40mg, 80mg) and bulk medicines for gout treatment. As at 30 June 2020, Suzhou Dawnrays Pharmaceutical paid the first instalment of RMB20 million for the transfer in accordance with the agreement.

As at 30 June 2020, the Group's contracted but not provided for plant and machinery capital commitments and capital contributions payable to an associate amounted to approximately RMB135,369,000 (as at 31 December 2019: RMB64,919,000), which mainly derived from the investment funds for the project of Lanzhou Dawnrays Pharmaceutical Co., Ltd. and relocation project of Suzhou Dawnrays Pharmaceutical Co., Ltd.

During the period, Cinmed Pharmaceuticals Company Limited was renamed as Fujian Dawnrays Pharmaceutical Co., Ltd. ("Fujian Dawnrays") on 2 March 2020. As Fujian Dawnrays' ownership was transferred to Dawnrays International Company Limited, to streamline group structure, Top Field Limited was deregistered on 22 May 2020. Deregistration of Cinmed (Hong Kong) Investment Limited, a subsidiary of Top Field Limited, was applied on 31 March 2020 and is still waiting for approval by local government authority. On 30 June 2020, there is no sign of impairment of goodwill of RMB 241,158,000 generated from the acquisition of Top Field Limited and its subsidiary, Fujian Dawnrays.

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

The Group has sufficient financial and internal resources, but still may finance aforesaid capital expenditure with bank borrowing(s) or the Groups internal resources.

FOREIGN EXCHANGE AND TREASURY POLICIES

During the period, the Group's substantial business activities, assets and liabilities are denominated in Renminbi, so the risk derived from the foreign exchange is not high. However, the Group pays dividends in Hong Kong dollars. Therefore, foreign exchange risk is mainly related to the Hong Kong dollar.

The treasury policy of the Group is to manage any risk of foreign exchange or interest rate (if any), only if it will potentially impose a significant impact on the Group. The Group continues to observe the foreign exchange and interest rate market, and may hedge against foreign currency risk with foreign exchange forward contracts and interest rate risk with interest rate swap contracts if necessary.

STAFF AND REMUNERATION POLICY

As at 30 June 2020, the Group employed 1,045 employees and the total remuneration during the period was approximately RMB70,417,000 (2019: RMB64,833,000). It was mainly due to the increase of employees in the Group and salary adjustment. The Group regards human resources as the most valuable assets and truly understands the importance of attracting and retaining 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 schemes, 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 2020, the Group had not pledged any assets to banks to secure credit facilities granted to its subsidiaries (as at 31 December 2019: nil).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities.

PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING

Save for those disclosed above in connection with capital commitments under the section “Significant Investment” and increase of registered capital, capital investment for relocation plans as mentioned in the Annual Report 2017, the Group does not have any plan for significant investments or acquisition of capital assets.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months period ended 30 June 2020, the Company repurchased 2,267,000 shares of the Company's listed securities on the Stock Exchange at an aggregate consideration of HK\$3,257,000 before expenses. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. During the period, 3,593,000 treasury shares and 2,267,000 repurchased shares were cancelled on 17 February 2020.

The monthly breakdown of shares repurchased during the period was as follows:

Month of Repurchase	Number of shares repurchased	The highest price paid per share (HK\$)	The lowest price paid per share (HK\$)	Aggregate consideration (HK\$)
January 2020	2,267,000	1.47	1.39	3,257,000
Total	2,267,000			3,257,000

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

To the best knowledge, information and belief of the Directors, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the "Listing Rules") during the six months period ended 30 June 2020.

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 Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code, throughout the six months period ended 30 June 2020.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules to oversee the Group's financial reporting system, risk management and internal control systems. As at the date of announcement, the Audit Committee's chairman was Mr. Lo Tung Sing Tony, Mr. Ede, Ronald Hao Xi and Ms. Lam Ming Yee Joan were the committee's members, all of them are independent non-executive directors of the Company.

The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 June 2020 have been reviewed by the audit committee before making recommendation to the Board for approval.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 September 2020 to Thursday, 24 September 2020 (both days inclusive), for the purpose of ascertaining entitlement to the Company's interim dividend, during which period no transfer of shares will be registered.

The record date for the purpose of determining shareholders' entitlement to the interim dividend is Tuesday, 22 September 2020. 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 Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 22 September 2020. Dividend warrants will be despatched to shareholders on or about Wednesday, 7 October 2020.

APPRECIATION

Meanwhile, I would like to take this opportunity to express my appreciation for the support and contribution from the Company's shareholders and directors and the Group's business partners, management personnel and all staff.

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

Hong Kong, 25 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.