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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 2021

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 (the “period”) together with the comparative figures in 2020. These interim results have been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

Unaudited	For the six months ended 30 June		
	2021	2020	Change
Revenue (RMB'000)	608,589	488,993	24.5%
Gross Profit (RMB'000)	373,091	264,736	40.9%
Gross Profit Margin	61.3%	54.1%	7.2percentage points
Profit before tax (RMB'000)	211,082	161,905	30.4%
Profit for the period attributable to owners of the parent (RMB'000)	166,646	129,691	28.5%
Net Profit Margin	27.4%	26.5%	0.9percentage points
Earnings per share -- basic (RMB)	0.11127	0.08362	33.1%
Interim dividend per share (HK\$)	0.015	0.015	-
Net asset value per share (RMB)	1.486	1.356	9.6%

*for identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
Notes		RMB'000	<i>RMB'000</i>
	Revenue	3 608,589	488,993
	Cost of sales	<u>(235,498)</u>	<u>(224,257)</u>
	Gross profit	373,091	264,736
	Other income and gains	3 19,015	28,182
	Selling and distribution expenses	(72,262)	(39,475)
	Administrative expenses	(53,736)	(50,282)
	Research and development costs	(28,145)	(22,971)
	Other expenses	(9,605)	(4,764)
	Finance costs	4 (154)	(3,561)
	Share of profits and losses of an associate	<u>(17,122)</u>	<u>(9,960)</u>
	PROFIT BEFORE TAX	5 211,082	161,905
	Income tax expense	6 <u>(45,391)</u>	<u>(34,353)</u>
	PROFIT FOR THE PERIOD	<u>165,691</u>	<u>127,552</u>
	Attributable to:		
	Owners of the parent	166,646	129,691
	Non-controlling interest	<u>(955)</u>	<u>(2,139)</u>
		<u>165,691</u>	<u>127,552</u>
	EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8	
	- basic, for profit for the period	<u>RMB0.11127</u>	<u>RMB0.08362</u>
	- diluted, for profit for the period	<u>RMB0.11085</u>	<u>RMB0.08362</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) <i>RMB'000</i>
PROFIT FOR THE PERIOD	<u>165,691</u>	<u>127,552</u>
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences	<u>1,686</u>	<u>(4,206)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>1,686</u>	<u>(4,206)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>167,377</u>	<u>123,346</u>
Attributable to:		
Owners of the parent	<u>168,332</u>	125,485
Non-controlling interest	<u>(955)</u>	<u>(2,139)</u>
	<u>167,377</u>	<u>123,346</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		372,720	452,593
Right-of-use assets		115,738	124,553
Construction in progress		307,047	204,803
Goodwill		241,158	241,158
Other intangible assets		260,366	206,716
Investment in an associate		81,547	98,669
Long-term prepayments		-	20,000
Deferred tax assets		6,768	6,529
		1,385,344	1,355,021
CURRENT ASSETS			
Inventories	9	212,780	246,028
Trade and notes receivables	10	342,420	330,747
Loan to an associate		84,000	-
Prepayments, other receivables and other assets		56,336	39,761
Financial assets at fair value through profit or loss		142,509	201,192
Non-current assets held for sale		68,394	-
Cash and bank		571,815	730,986
		1,478,254	1,548,714
CURRENT LIABILITIES			
Trade and notes payables	11	108,561	157,613
Other payables and accruals		274,948	312,074
Interest-bearing bank borrowings		9,245	-
Lease liabilities		915	924
Income tax payable		9,357	9,297
		403,026	479,908
NET CURRENT ASSETS		1,075,228	1,068,806
TOTAL ASSETS LESS CURRENT LIABILITIES		2,460,572	2,423,827

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	30 June 2021	31 December 2020
<i>Notes</i>	(Unaudited) RMB'000	(Audited) <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Other liabilities	175,595	175,595
Government grants	900	900
Lease liabilities	1,613	2,025
Deferred tax liabilities	58,545	61,715
	<hr/>	<hr/>
Total non-current liabilities	236,653	240,235
	<hr/>	<hr/>
Net assets	2,223,919	2,183,592
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	80,313	81,072
Treasury shares	-	(430)
Reserves	2,126,678	2,089,861
	<hr/>	<hr/>
	2,206,991	2,170,503
	<hr/>	<hr/>
Non-controlling interests	16,928	13,089
	<hr/>	<hr/>
Total equity	2,223,919	2,183,592
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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 2021 (collectively defined as the “interim financial information”) have been prepared in accordance with International Accounting Standard (“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 27 August 2021.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2020, 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 2020, except for the adoption of the following revised standards effective as of 1 January 2021 for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions</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 2021 (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	77,470	531,119	-	608,589
Intersegment sales	28,305	-	(28,305)	-
	<u>105,775</u>	<u>531,119</u>	<u>(28,305)</u>	<u>608,589</u>
Segment Results	(979)	286,201	-	285,222
<i>Reconciliation:</i>				
Unallocated gains				17,247
Corporate and other unallocated expenses				(91,233)
Finance costs				(154)
Profit before tax				<u>211,082</u>
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)	-
	<u>134,122</u>	<u>381,684</u>	<u>(26,813)</u>	<u>488,993</u>
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				<u>161,905</u>

2. SEGMENT INFORMATION *(continued)*

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

As at	Intermediates	Finished	Total
30 June 2021 (unaudited)	and bulk medicines	drugs	RMB'000
	RMB'000	RMB'000	RMB'000
Segment Assets:	664,241	874,261	1,538,502
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>1,325,096</u>
Total assets			<u>2,863,598</u>
As at	Intermediates	Finished	Total
31 December 2020 (audited)	and bulk medicines	drugs	RMB'000
	RMB'000	RMB'000	RMB'000
Segment Assets:	571,157	851,658	1,422,815
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>1,480,920</u>
Total assets			<u>2,903,735</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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Revenue from contracts with customers	<u>608,589</u>	<u>488,993</u>

3. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2021

<u>Segments</u>	Intermediates & bulk medicines RMB'000	Finished drugs RMB'000	Total RMB'000
Type of goods or services			
Sale of goods	74,985	531,119	606,104
Rendering of pilot test services	2,485	-	2,485
Total revenue from contracts with customers	<u>77,470</u>	<u>531,119</u>	<u>608,589</u>
Geographical markets			
Mainland China	47,171	527,962	575,133
Other countries	30,299	3,157	33,456
Total revenue from contracts with customers	<u>77,470</u>	<u>531,119</u>	<u>608,589</u>
Timing of revenue recognition			
Goods transferred at a point in time	74,985	531,119	606,104
Services transferred over time	2,485	-	2,485
Total revenue from contracts with customers	<u>77,470</u>	<u>531,119</u>	<u>608,589</u>

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>

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Other income		
Bank interest income	9,600	7,363
Dividend income from financial assets at fair value through profit or loss	375	-
Government grants	3,555	2,375
Foreign exchange differences, net	-	5,637
Others	1,124	4,787
	<u>14,654</u>	<u>20,162</u>
Gains		
Gain on sales of scrapped materials	836	115
Financial assets at fair value through profit or loss gains, net	3,525	7,905
	<u>19,015</u>	<u>28,182</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Interest on discounted notes receivable	111	254
Interest on bank loans wholly repayable within five years	-	3,255
Interest on lease liabilities	43	52
	<u>154</u>	<u>3,561</u>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cost of inventories sold*	235,498	224,257
Depreciation of property, plant and equipment	23,805	24,802
Depreciation of right-of-use assets**	1,626	1,607
Research and development costs	28,145	22,971
Lease payments not included in the measurement of lease liabilities	512	857
Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	62,107	55,863
Retirement benefits	4,480	888
Accommodation benefits	2,518	2,361
Other benefits	8,973	8,501
Equity-settled share option expense	2,242	2,804
	80,320	70,417
Foreign exchange differences, net***	169	(5,637)
Write-down of inventories to net realisable value/ (write-off of provision for inventories) ***	4,699	(3,468)
Write-off of obsolete stocks***	4,318	2,331
Bank interest income	(9,600)	(7,363)
(Gain)/loss on disposal of items of property, plant and equipment	(34)	203
Financial assets at fair value through profit or loss gains, net	(3,525)	(7,905)

* The depreciation of RMB16,502,000 (2020: RMB19,153,000) 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.

*** These expenses for the period are 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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current income tax		
Current income tax charge	36,266	27,550
Adjustments in respect of current income tax in previous years	460	460
Deferred income tax	8,665	6,343
Total tax charge for the period	<u>45,391</u>	<u>34,353</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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Dividend pertaining to the prior year declared in the six months ended 30 June:		
Final – HK\$0.05 (2019: HK\$0.043) per ordinary share	62,657	61,358
Special – HK\$0.05 per ordinary share	62,657	-
Interim – HK\$0.015* (2020: HK\$0.015) per ordinary share	<u>18,726</u>	<u>20,778</u>

*On 27 August 2021, the Company declared an interim dividend for the year ending 31 December 2021, at HK\$0.015 per share, amounting to a total sum of approximately HK\$22,454,000 (approximately equivalent to RMB18,726,000).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of 1,497,633,000 shares (2020: 1,550,860,000 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. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted earnings per share is as follows:

(a) Earnings per share-basic

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent (RMB'000)	166,646	129,691
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	1,497,633	1,550,860
Earnings per share-basic (RMB)	0.11127	0.08362

(b) Earnings per share-diluted

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent (RMB'000)	166,646	129,691
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ('000)	1,497,633	1,550,860
Effect of dilution – weighted average number of ordinary shares:		
Share options ('000)	5,665	-
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	1,503,298	1,550,860
Earnings per share-diluted (RMB)	0.11085	0.08362

9. INVENTORIES

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Raw materials	70,883	74,454
Work in progress	59,931	42,080
Finished goods	91,545	135,655
	222,359	252,189
Less: provision	(9,579)	(6,161)
	212,780	246,028

10. TRADE AND NOTES RECEIVABLES

An ageing analysis of the trade receivables and notes receivable as at 30 June 2021, based on invoice date and net of loss allowance, is as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) <i>RMB'000</i>
Trade receivables		
Outstanding balances with ages:		
Within 90 days	166,640	162,178
Between 91 and 180 days	10,771	10,600
Between 181 and 270 days	2,619	2,498
Between 271 and 360 days	129	392
Over one year	143	723
	180,302	176,391
Notes receivable	162,118	154,356
	342,420	330,747

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 2021 is as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) <i>RMB'000</i>
Outstanding balances with ages:		
Within 90 days	70,978	116,043
Between 91 and 180 days	34,045	40,857
Between 181 and 270 days	2,437	227
Between 271 and 360 days	322	50
Over one year	779	436
	108,561	157,613

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 2021 (the “period”). These interim results have been reviewed by the audit committee of the Company.

RESULTS

The Group recorded revenue of approximately RMB608,589,000 for the six months ended 30 June 2021 (2020: RMB488,993,000), representing an increase of 24.5% as compared to the same period of 2020. Profit attributable to owners of the parent was approximately RMB166,646,000 (2020: RMB129,691,000), representing an increase of approximately 28.5% compared to the same period of 2020. The increase in the profit for the period was mainly due to the increase in the sales of main products of finished drugs.

BUSINESS REVIEW

With the momentum of market recovery for the second half of 2020, the operating environment of the pharmaceutical industry in the period improved as compared to the same period of last year. During the period, the Group adhered to the principle of product quality and production safety first, and the production department strictly controlled the production cost of finished drugs through various measures, to create more favorable competitive conditions for product sales.

During the reporting period, the marketing and sales department of the Group tapped into the end market and expanded the product coverage, thus increasing the sales volume and sales revenue of products in major sectors of finished drugs as compared to the same period of last year. There was an expected growth in the sales of various major varieties including Amlodipine Besylate Tablets, Losartan Potassium and Hydrochlorothiazide Tablets, Cetirizine Hydrochloride Tablets, Entecavir Dispersible Tablets and other specific medicines, mainly due to the full use of product brand advantages and marketing resources by the Group. In addition, the actual supply of four varieties of the Group which were selected for national centralized procurements was maintained at the peak, with high double-digit year-on-year growth in sales.

In terms of intermediates and bulk medicines, due to the overseas COVID-19 outbreak remained volatile the operational efficiency of export business was affected, the sales of intermediates and bulk medicines of the Group decreased as compared to the same period of last year during the period.

However, due to the good foundation of segment profit of finished drugs, there was an increase in the Group’s revenue and profit for the period as compared to the same period of last year. A further review of results for the first half of 2021 and the second half of 2020 show that there is a double-digit growth, which reflects the promising turn in the operation and sales of the Group in the previous year.

In terms of product research and development, in line with national policies and development strategies of the Company, the Group established the research direction and plan for new products and technologies. In addition to persisting in the independent development of more drugs in the same therapeutic field with a focus on the existing product platform, the Group rationally utilized external research and development resources to accelerate the construction of pipelines of products under research, and incorporated high-end products in other therapeutic fields to meet the needs of patients more widely. After careful preparation by the management and the research and development team, the Group has gradually formed a multi-level mix of products under research. During the period, certain varieties already developed were approved for registration and marketing.

During the period, clinical trials of monoclonal antibody agents Ebronucimab (AK102) (proposed to be used for lowering cholesterol levels) and AK109 (proposed to be used for treating gastric cancer, lung cancer and rectal cancer) developed by the Group and Akeso Biopharma Inc., were in active progress. In addition, new factory projects constructed respectively by Suzhou Dawnrays Pharmaceutical Co., Ltd. and Lanzhou Dawnrays Pharmaceutical Co., Ltd., both of which are subsidiaries of the Group, were carried out smoothly.

In a word, with the Group's strategy of long-term focus on building product lines of specific medicines with good quality and efficacy, the Group has access to supply markets for a variety of branded drugs in various therapeutic fields. Despite the fierce market competition, the market advantages of products and timely adjustment of sales strategies enabled the Group to maintain steady business development and achieve year-on-year growth in its revenue and profit during the period.

PROSPECT

Looking forward to the future, the government will expand the coverage of centralized volume-based procurement in a steady and orderly manner to include more drugs and consumables in the procurement scope, which involves a huge market. Therefore, in recent years, the Group has made efforts to achieve the strategic goal of improving its product competitiveness and capacity to win bids. The Group will improve its comprehensive organization capacity in various aspects, especially the comprehensive and balanced capacity in terms of research and development, production, marketing and sales, so as to facilitate its long-term participation in the competition in various end markets. Under the comprehensive plan of the government to link medical services, health insurance, and the medicine industry, there were 1.36 billion people covered by basic medical insurance in China as at the end of 2020, thus stably maintaining the coverage rate above 95%. With the healthy development of the market, the pharmaceutical industry in China is full of opportunities with bright prospects. With the management team's determination to implement the Group's corporate strategy and their focus on achieving business objectives, the Group is cautiously optimistic about its operation and development in the second half of the year.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK\$0.015 per share for the year ending 31 December 2021, approximately amounting to a total sum of HK\$22,454,000 (equivalent to approximately RMB18,726,000).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the period, along with the overall recovery of domestic economy, there was a global increase in the supply of national centralized procurement products for which the Group won the bids. With the joint efforts of all employees, there was a significant increase of 38.5% in the sales volume and an increase of 24.0% in the sales of the anti-hypertensive drug in “An” (安) series medicines of the Group, as compared with the same period of 2020; there was a year-on-year increase of 92.6% in the sales volume and an increase of 85.4% in the sales of Fujian Dawnrays series medicines which are mainly to treat hyperlipidemia; there was a year-on-year increase of 35.5% in the sales volume and an increase of 47.6% in the sales of “Xikewei” (西可韋) and “Xikexin” (西可新), both of which are anti-allergic drugs; there was a year-on-year increase of 95.7% in the sales volume and an increase of 38.5% in the sales of Entecavir Dispersible Tablets. Continuously affected by the outbreak of epidemic, there was a decrease of 29.0% in the sales volume and a decline of 27.8% in sales of cephalosporin intermediates and bulk medicines as compared with the same period of 2020.

During the period, to adapt to constantly changing medical policies and fiercely competitive market, the marketing managers actively cooperated in national centralized procurement, adjusted the Group’s product marketing strategy in a timely manner, mobilized resources to actively explore blank markets, and deepened the existing market, opened up new product markets to ensure the Group’s continuous and stable sales growth.

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, ophthalmology, dermatology and antiviral drugs, etc.

The Group will continue to invest more resources in production technology and product R&D and innovation, and seek various cooperation opportunities with external parties to strengthen the product structure and profitability foundation.

In addition to its own R&D center, the Group also established Nanjing PharmaRays Science and Technology Co., Ltd. (南京福美瑞信科技有限公司, “Nanjing PharmaRays”), which is a joint venture controlled by the Group, to form a dual R&D centers pattern. Nanjing PharmaRays is a research and development company focusing on the development of new drug products using new technology in drug delivery systems. It is currently engaged in the research and development of new generic drugs.

CONSISTENCY EVALUATION

As at 30 June 2021, by product specifications, the Group carried out quality and efficacy research on 31 varieties, of which, the applications for 6 varieties (Entecavir Dispersible Tablets (0.5mg), Amlodipine Besylate Tablets (5mg), Levocetirizine Hydrochloride Tablets (5mg), Cetirizine Hydrochloride Tablets (10mg), Metformin Hydrochloride Tablets (250mg), Azithromycin Tablets (250mg)) were approved; a consistency evaluation application for 10 varieties have been submitted to the Center for Drug Evaluation, NMPA, while bioequivalence (BE) clinical trial of 1 variety was carried out, and pharmaceutical research into 14 varieties were conducted.

OTHER MATTERS

During the period, the Group adhered to the management policy of quality first, and the product quality was further improved. 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) The Group obtained the drug registration certificate for “Rosuvastatin Calcium Tablets 10mg” in January 2021, and the supplementary application approval certificate for “Febuxostat Tablets” in May 2021.
- (2) As at 30 June 2021, the Group was conducting research on 22 new varieties and developing bulk medicines for 14 new varieties of them simultaneously. Of the 22 varieties under research, 3 had been submitted for application, and 19 were under R&D (6 were undergoing bioequivalence (BE) clinical research).
- (3) During the period, the Group obtained the following patent certificates:
 - (i) A national invention patent certificate (Patent No.: ZL202010228686.5) was granted for “A kind of atorvastatin calcium tablet and its preparation process” on 9 April 2021.
 - (ii) A national invention patent certificate (Patent No.: ZL202010581439.3) was granted for “A kind of loxoprofen sodium tablet and its preparation process” on 20 April 2021.
 - (iii) A national utility model patent certificate (Patent No.: ZL202020582165.5) was granted for “A kind of tapered airflow distribution plate for a fluidized bed for tablet production” on 9 February 2021.
 - (iv) A national utility model patent certificate (Patent No.: ZL202020769727.7) was granted for “A kind of heat-sealing device for a blister packaging machine for tablet production” on 19 February 2021.
 - (v) A national utility model patent certificate (Patent No.: ZL202020582179.7) was granted for “A kind of high-efficiency and even coating machine for tablet production” on 7 May 2021.

HONORS AWARDED TO THE GROUP

- (1) In January 2021, Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized as one of the “Ten Star Enterprises (Industrial)” in Suzhou Wuzhong Economic Development Zone.
- (2) In January 2021, Fujian Dawnrays Pharmaceutical Co., Ltd. won the “Outstanding Economic Contribution Award in 2020” from the CPC Putian City Committee and Putian City People’s Government.
- (3) In January 2021, Fujian Dawnrays Pharmaceutical Co., Ltd. won the “Second Prize for Top Taxpayers in 2020” from the CPC Licheng District Committee and Licheng District People’s Government.
- (4) In February 2021, Suzhou Dawnrays Pharmaceutical Co., Ltd. was rated by the People’s Government of Wuzhong District, Suzhou as one of the “Top 100 Enterprises”, the “Benchmarking Technology Enterprise”, the “Leading Enterprise in Industry Innovation” and the “Advanced Enterprise in Energy Saving and Emission Reduction” in 2020.
- (5) In February 2021, Suzhou Dawnrays Pharmaceutical Co., Ltd. was rated by the Suzhou Wuzhong Economic Development Zone as the “Outstanding Contribution Organization” and “High-quality Development Enterprise (Innovative Transformation and Development Enterprise and Contributor to Output Benefits)” in 2020.
- (6) In February 2021, Suzhou Dawnrays Pharmaceutical Co., Ltd. was awarded as “An Enterprise with a Deeply Rooted Foundation in Wuzhong Making Contribution from Outstanding Development” on the 20th Anniversary of the establishment of Wuzhong District.
- (7) In April 2021, the technical center of Suzhou Dawnrays Pharmaceutical Co., Ltd. passed the joint review of the Industry and Information Technology Department of Jiangsu, the Jiangsu Development and Reform Commission, the Jiangsu Provincial Department of Science and Technology, the Department of Finance of Jiangsu Province, and the Jiangsu Provincial Tax Service, State Taxation Administration and identified as "Jiangsu Provincial Enterprise Technology Center in 2020".

FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the six months ended 30 June 2021, the Group recorded a turnover of approximately RMB608,589,000, representing an increase of 24.5%, compared with that of RMB488,993,000 during the corresponding period of last year. Of which, sales of intermediates and bulk medicines was RMB77,470,000, representing a decrease of RMB29,839,000, or 27.8% as compared with corresponding period of last year; sales of finished drugs was RMB531,119,000, representing an increase of sales amount of RMB149,435,000, or 39.2% as compared with corresponding period of last year.

Finished drugs comprise 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 87.3%, representing an increase of 9.2 percentage points as compared with last year, of which, sales amount of system specific medicines accounted for approximately 95.8% of sales of finished drugs.

Due to the impact of the global outbreak of COVID-19, export sales during the period amounted to RMB33,456,000, accounted for approximately 5.5% of the total turnover, representing a decrease of 29.4% as compared with corresponding period of last year. The export destinations mainly included countries and regions such as Italy, Russia and Pakistan etc.

Gross profit was approximately RMB373,091,000, which was increased by RMB108,355,000 or 40.9% as compared with the corresponding period of last year. Gross profit margin was 61.3%, which was increased by 7.2 percentage points as compared with 54.1% as in the corresponding period of last year. It was mainly due to impact of increase in gross profit of “An” (安) series and 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 changes
	2021	2020	Changes	2021	2020	
Intermediates and Bulk Medicines	77,470	107,309	-29,839	12.7	21.9	-9.2
Finished Drugs	531,119	381,684	149,435	87.3	78.1	9.2
Overall	608,589	488,993	119,596	100.0	100.0	0.0

EXPENSES

During the period, the total expenses incurred were approximately RMB163,902,000, equivalent to 26.9% of turnover (2020: 24.8%), an increase of 2.1 percentage points as compared with the same period of last year. The total expenses increased by approximately RMB42,849,000 as compared with the same period of last year. Among them, selling expenses were RMB72,262,000 and increased by RMB32,787,000 as compared with the corresponding period of last year. It was mainly attributed to the decrease of sales and promotion activities due to the impact of COVID-19 outbreak in 2020 and substantial increase of sales and promotion activities during the period as compare with the corresponding period of last year. The administrative costs were RMB53,736,000 and increased by RMB3,454,000 as compared with the same period of last year because of the effect of addition of new subsidiary to the Group. Research and development expenses were RMB28,145,000 which was increased by RMB5,174,000 as compared with the corresponding period of last year. Other expenses was RMB9,605,000, an increase of RMB4,841,000 as compared with the corresponding period of last year, mainly due to increase of write-off of obsolete stocks and provision.

SEGMENT PROFIT

For the six months ended 30 June 2021, the segment profit of finished drugs segment was approximately RMB286,201,000, which was increased by approximately RMB72,023,000 when compared with the segment profit of RMB214,178,000 as in the first half of 2020. The segment loss of intermediates and bulk medicines segment was approximately RMB979,000, which was decreased by approximately RMB7,237,000 when compared with the profit of RMB6,258,000 as in the first half of 2020.

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. Dawnrays Biotechnology in aggregate invested capital amounted to RMB150,000,000. Due to the business operation and clinical development of AD Pharmaceuticals and the development of industrialization base of China-Singapore Guangzhou Knowledge City in Guangzhou, China, Dawnrays Biotechnology provided unsecured interest-bearing loan to AD Pharmaceuticals for a total of RMB84,000,000 during the period. For the six months ended 30 June 2021, the R&D and administrative expenses occurred by AD Pharmaceuticals have totaled approximately RMB48,920,000. As a result, the Group shared, in proportion to the investment percentage, an investment loss of approximately RMB17,122,000, as compared with that of RMB9,960,000 in the corresponding period of 2020.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the six months ended 30 June 2021, profit attributable to owners of the parent amounted to approximately RMB166,646,000, representing an increase of RMB36,955,000 or 28.5% as compared with the corresponding period of last year. The increase was mainly attributed to the increase in gross profit of “An” (安) series and also the contribution improvement of Fujian Dawnrays series medicines.

ANALYSIS ON THE RETURN ON ASSETS

As at 30 June 2021, net assets attributable to owners of the parent were approximately RMB2,206,991,000. 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 7.6% (2020: 6.2%). The current ratio and quick ratio was 3.7 and 3.1 respectively. Current ratio slightly increased while quick ratio remained flat compared to last year. Turnover days for trade receivables were approximately 53 days. Turnover days for accounts receivable including trade and notes receivables were approximately 100 days. Turnover days for inventory were approximately 175 days. The turnover days for accounts receivable has decreased 13 days as compared with the corresponding period of last year. The increase of turnover days for inventory of 20 days is mainly due to increase of production volume and stock up of bulk medicines and intermediates products for relocation.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June, 2021, 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 RMB5,955,000 (31 December 2020: approximately RMB5,962,000);
- (ii) invested in one-year to three-year bonds issued by China Development Bank amounted RMB30,690,000 (31 December 2020: RMB30,174,000);
- (iii) purchased certain wealth management products of floating income principal-preservation type with annual interest rate from 1.3% to 3.85% of RMB105,000,000 (31 December 2020: RMB164,000,000) from four good credit worth banks in China including “Hui Li Feng” (匯利豐) structured deposit of RMB40,000,000 and “Dan Wei Jie Gou Xing Cun Kuan” (單位結構性存款) of total RMB65,000,000 from three other banks. The expected yield would be approximately RMB862,000 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) purchased foreign exchange forward contracts amounting to USD930,000. As at 30 June 2021, a gain of approximately RMB2,000 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 RMB142,509,000 (31 December 2020: approximately RMB201,192,000), representing approximately 5.0% (31 December 2020: 6.9%) of the total assets of the Group. For the period ended 30 June 2021, the Group recorded net gain of approximately RMB3,525,000 (2020: RMB7,905,000) on 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 2021, the Group held cash and bank balance of approximately RMB571,815,000 (as at 31 December 2020: RMB730,986,000). Financial assets at fair value through profit or loss amounted to approximately RMB142,509,000 (as at 31 December 2020: approximately RMB201,192,000). Holding notes receivable amounted to RMB162,118,000 (as at 31 December 2020: RMB154,356,000).

During the period, the net cash flows from operating activities was approximately RMB153,202,000 (2020: RMB138,285,000). Net cash flows used in investing activities was approximately RMB111,237,000 (2020: RMB39,213,000). Net cash flows used in financing activities was approximately RMB120,622,000 (2020: RMB171,296,000). Cash and cash equivalents decreased by approximately RMB78,657,000 (2020: RMB72,224,000).

As at 30 June 2021, the Group had aggregate bank facilities of approximately RMB1,300,000,000 (as at 31 December 2020: RMB1,300,000,000). As at 30 June 2021, the Group's short-term interest-bearing bank borrowings was RMB9,245,000 (as at 31 December 2020: RMB0), consisted of undue discounted notes receivable. Interest rate of borrowings was fixed at 2.7% p.a. As at 30 June 2021, the debt ratio (defined as sum of interest-bearing bank borrowings over total assets) of the Group was 0.3% (as at 31 December 2020: 0%).

As at 30 June 2021, the Group had inventory balance approximately RMB212,780,000 (as at 31 December 2020: RMB246,028,000).

SIGNIFICANT INVESTMENT AND ASSETS CHANGES

Lanzhou Dawnrays Pharmaceutical Co., Ltd., the Group's production base for bulk medicines and intermediates, was established on 30 December 2019 with a registered capital of USD50,000,000 of which the Group has 95% of share interest and Xiangbei Welman Pharmaceutical Co., Ltd. (湘北威爾曼製藥股份有限公司) has 5% of share interest. The project covers an area of 250 mu. As at the end of June 2021, an aggregated registered capital of USD19,739,000 was invested. 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 funds of RMB430,000,000 are planned to be invested in the project. According to the schedule, it will be completed and put into production in the second half of this year.

As a result of the planning adjustment of Yangkou Chemical Industrial Park of Rudong County People's Government of Nantong City, Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. ("Dawnrays (Nantong)"), a subsidiary of the Group, signed a relocation compensation agreement with the local government on 30 December 2019, pursuant to which Dawnrays (Nantong) terminated its production in January 2021 and is in the stage of demolition and relocation. In accordance with relevant accounting standards, Dawnrays (Nantong)'s fixed assets and land use right assets amounted to a total of RMB68,394,000 were transferred to non-current assets held for sale.

During the period, Nanjing PharmaRays Science and Technology Co., Ltd. (南京福美瑞信科技有限公司), a joint venture subsidiary company of the Group, engaged in the development of new generic drugs. The registered capital of Nanjing PharmaRays Science and Technology Co., Ltd. is RMB50,000,000, and Suzhou Dawnrays Pharmaceutical Co., Ltd. ("Suzhou Dawnrays Pharmaceutical"), a wholly-owned subsidiary of the Group, has accumulatively contributed registered capital of RMB32,500,000 according to the joint venture agreement. The other two shareholders have invested registered capital of RMB16,500,000.

Due to the urban planning adjustment of Wuzhong Economic Development District by Suzhou Municipal People's Government, whole entity of factory of Suzhou Dawnrays Pharmaceutical located at Tianling Road will be relocated to Wusongjiang Chemical Industrial Park in Wuzhong Economic Development Zone. Suzhou Dawnrays Pharmaceutical 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. At the end of June 2021, Suzhou Dawnrays Pharmaceutical received relocation compensation of RMB175,595,000. The funds of RMB383,000,000 are planned to be invested in the project which will be completed and put into production in the second half of this year.

On 24 December 2019, Suzhou Dawnrays Pharmaceutical signed a transfer 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) for gout treatment and bulk medicines. As of 30 June 2021, Suzhou Dawnrays Pharmaceutical paid RMB30,000,000 for the transfer in accordance with the agreement. The marketing authorization holder of Febuxostat tablets (40mg, 80mg) was changed to Suzhou Dawnrays Pharmaceutical Co., Ltd. in May 2021.

To streamline group structure, the Group's subsidiary Top Field Limited was deregistered in May 2020 and its subsidiary Cinmed (Hong Kong) Investment Limited was approved for dissolution on 11 February 2021. Cinmed Medical Equipment (Putian) Co., Ltd., a subsidiary of Fujian Dawnrays Pharmaceutical Co., Ltd. ("Fujian Dawnrays") was approved for deregistration on 1 February 2021. As at 30 June 2021, there was no sign of impairment of goodwill of RMB241,158,000 generated from the acquisition of Top Field Limited and its subsidiary, Fujian Dawnrays.

As at 30 June 2021, the Group's contracted but not provided for plant and machinery capital commitments amounted to approximately RMB432,383,000 (as at 31 December 2020: RMB252,523,000), which mainly related to investments in the project of Lanzhou Dawnrays Pharmaceutical Co., Ltd. and the relocation project of Suzhou Dawnrays Pharmaceutical.

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 Group's 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 2021, the Group employed 1,025 employees and the total remuneration during the period was approximately RMB80,320,000 (2020: RMB70,417,000). It was mainly due to impact of salary adjustment and entitlements of the national social security reduction and exemption preferential policies in 2020. 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 2021, the Group had not pledged any assets to banks to secure credit facilities granted to its subsidiaries (as at 31 December 2020: nil).

CONTINGENT LIABILITIES

As at 30 June 2021, 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 Assets Changes” 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.

EVENT AFTER THE REPORTING PERIOD

On 30 July 2021, Dawnrays International Company Limited (a wholly-owned subsidiary of the Group) (as seller), 蘇州融新建設發展有限公司 (Suzhou Yongxin Construction and Development Co., Ltd.) (an independent third party (a property developer ultimately owned by the local government of Wuzhong Economic Development District, Suzhou, China)) (as purchaser), and Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd. (“Su Zhou Dawnrays Pharma Sci-Tech”) (a wholly-owned subsidiary of the Group) entered into a sale and purchase agreement with in respect of the disposal (“Disposal”) of the Group’s 65% interest in Su Zhou Dawnrays Pharma Sci-Tech for total consideration of RMB104,000,000 (approximately HK\$125,140,000). Further details of the Disposal were set out in the Company’s announcement dated 30 July 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months period ended 30 June 2021, the Company repurchased 8,608,000 shares of the Company's listed securities on the Stock Exchange at an aggregate consideration of HK\$11,442,400 before expenses. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. During the period, 10,208,000 treasury shares and 884,000 repurchased shares were cancelled on 14 January 2021, and 7,724,000 repurchased shares were cancelled on 5 March 2021.

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 2021	4,432,000	1.40	1.12	5,616,880
February 2021	4,176,000	1.49	1.23	5,825,520
Total	8,608,000			11,442,400

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 period ended 30 June 2021.

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 2021.

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 2021.

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 period ended 30 June 2021 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 Thursday, 23 September 2021 to Friday, 24 September 2021 (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 Friday, 24 September 2021. 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, 21 September 2021. Dividend warrants will be despatched to shareholders on or about Tuesday, 5 October 2021.

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, 27 August 2021

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.