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**DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED**

**東瑞製藥(控股)有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2348)**

**DISCLOSEABLE TRANSACTION  
RELOCATION COMPENSATION**

On 20 December 2017, Suzhou Dawnrays, an indirect wholly owned subsidiary of the Company, entered into the Relocation Compensation Agreement with Chengnan Street Office\* (which is under the People's Government of Wuzhong Economic Development District of Suzhou City, Jiangsu Province, the PRC), where Suzhou Dawnrays will receive an aggregate of approximately RMB351.2 million (approximately HK\$415.6 million) as Relocation Compensation for surrender of the Land.

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

**RELOCATION COMPENSATION AGREEMENT**

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*\* For identification purpose only*

Below is a brief summary of the terms of the Relocation Compensation Agreement:

Date:	20 December 2017
Parties:	Suzhou Dawnrays; and Chengnan Street Office* 城南街道辦事處, which is under the People's Government of Wuzhong Economic Development District of Suzhou City, Jiangsu Province, the PRC and a PRC Governmental Body within the meanings of the Listing Rules and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, a third party independent of the Company and its connected persons (as defined under the Listing Rules).
Amount of Relocation Compensation:	Approximately RMB351.2 million (approximately HK\$415.6 million)
Payment Terms:	The Relocation Compensation is to be paid in the following manner: <ol style="list-style-type: none"><li>1. as to 20% (being approximately RMB70.2 million) within one month from the date of the Relocation Compensation Agreement;</li><li>2. as to 30% (being approximately RMB105.4 million) within one month from the commencement of relocation;</li><li>3. as to 30% (being approximately RMB105.4 million) within one month of vacant possession of the Land;</li><li>4. as to the balance of approximately RMB70.2 million within one month of completion of the relevant land and property deregistration process.</li></ol>
Delivery of Vacant Possession:	By 31 December 2020. Delay in delivery of vacant possession will be subject to a daily compensation of 0.02% on the Relocation Compensation.

The terms of the Relocation Compensation Agreement were arrived after arms' length negotiation between Suzhou Dawnrays and the Chengnan Street Office\*, with reference to valuation of the Land by an independent qualified PRC property valuer.

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## **BACKGROUND AND REASONS FOR THE ENTERING INTO THE RELOCATION COMPENSATION AGREEMENT AND POSSIBLE FINANCIAL EFFECT**

The Group is principally engaged in the development, manufacture and sale of non-patented pharmaceutical medicines including intermediate pharmaceutical, bulk medicines and finished drugs. The Land is currently occupied by Suzhou Dawnrays as its production plant for cephalosporin antibiotic bulk medicines and finished products and offices with total land area of approximately 64,617 square meters.

As part of the urban planning requirements of People's Government of Suzhou City in respect of the Wuzhong Economic Development District, Suzhou Dawnrays has been requested by Chengnan Street Office\* to surrender the Land and enter into the Relocation Compensation Agreement. It is expected that the Group will be able to acquire new land also in Wuzhong Economic Development District, Suzhou City and complete the relocation of the existing plants before the deadline of delivery of vacant possession of 31 December 2020 and during such time the existing plants on the Land will continue to operate until the construction of the new plant is completed. The Relocation Compensation will be applied towards part of the costs for the purchase of new land, the relocation of existing plants and the construction of new plants, which is expected to cover more floor area with enhanced production facilities and capacity. Therefore the Directors believe that the relocation of the relevant plants and facilities will not lead to any material disruption to the business of the Group. Moreover, the relocation project will speed up equipment rebuilding of Suzhou Dawnrays and promote its technical upgrade, thus boosting the equipment level and manufacturing capacity of the Group, stimulating product and technology transformation and upgrade, improve the manufacturing process level of cephalosporin antibiotic products, product quality, production efficiency and capacity, and enhance the corporate image and comprehensive competitiveness.

The unaudited net book value of the Land as at 30 November 2017 was approximately RMB199.2 million. The Relocation Compensation exceeds such unaudited net book value by approximately RMB152 million. However, under the International Financial Reporting Standards, it is expected that no gain on disposal will be recognised in the financial statements of the Company as the Relocation Compensation, which will be applied towards the costs of relocation and reconstruction, to the extent that it is so utilised during the financial year will be recognised as deferred income of that year.

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

## **IMPLICATION UNDER THE LISTING RULES**

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

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## DEFINITIONS

Unless the context requires otherwise, the use of capitalised terms in this announcement shall have the following meanings:

“Board”	the Board of Directors
“Company”	Dawnrays Pharmaceutical (Holdings) Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	the parcel of land of approximately 64,617 square meters in size located at No. 22, Tianling Road, Wuzhong Economic Development District, Suzhou City, Jiangsu Province, the PRC (中國江蘇省蘇州市吳中經濟開發區天靈路 22 號), together with the plants and equipment thereon
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“Relocation Compensation”	the aggregate amount of approximately RMB351.2 million (approximately HK\$415.6 million) payable to Suzhou Dawnrays as relocation compensation under the Relocation Compensation Agreement
“Relocation Compensation Agreement”	非住宅類房屋拆遷補償協議 (Non-Residential Property Relocation Compensation Settlement Agreement*) dated 20 December 2017 entered into between Suzhou Dawnrays and Chengnan Street Office*
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the ordinary shares of HK\$0.1 each in the share capital of the Company

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Dawnrays”	Suzhou Dawnrays Pharmaceutical Co., Ltd* 蘇州東瑞製藥有限公司, a limited liability company established in PRC, an indirect wholly-owned subsidiary of the Company
“%”	per cent.

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate RMB1 to HK\$1.1835 respectively. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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

Hong Kong, 20 December 2017

*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. Li Tung Ming; one non-executive director, namely Mr. Leung Hong Man; three independent non-executive directors, namely Mr. Choi Tat Ying Jacky, Mr. Lo Tung Sing Tony and Mr. Ede, Ronald Hao Xi.*

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