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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)

GRANT OF OPTIONS

GRANT OF OPTIONS TO EMPLOYEES

The Board announces that on 28 August 2019 it has resolved to grant employees a total of 16,000,000 Options to subscribe for 16,000,000 Shares.

GRANT OF OPTIONS TO EXECUTIVE DIRECTOR

On 28 August 2019, the Board has also resolved to grant Mr. Chen (being the executive Director and the chief executive officer of the Company) a total of 64,000,000 Options to subscribe for 64,000,000 Shares (representing approximately 4.07% of the total issued share capital of the Company as at the date of this announcement), subject to his acceptance. Among the grant of the 64,000,000 Options, 32,000,000 Options to subscribe for 32,000,000 Shares are subject to the fulfilment of certain performance targets.

As the total number of Shares to be issued upon full exercise of the Options granted to Mr. Chen represents over 1% of the Shares in issue as at the date of this announcement, pursuant to the note to Rule 17.03(4) of the Listing Rules, the grant of the Options to Mr. Chen will be subject to approval by Shareholders in EGM with Mr. Chen and his associates abstaining from voting.

EGM

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the grant of the Options to Mr. Chen. A circular containing, among other things, details of the grant of the Options to Mr. Chen, together with the notice of the EGM, will be despatched to the Shareholders in due course.

*For identification purpose only

GRANT OF OPTIONS TO EMPLOYEES

The Board hereby announces that on 28 August 2019 it has resolved to grant employees of the Group a total of 16,000,000 Options to subscribe for 16,000,000 Shares (representing approximately 1.02% of the total issued share capital of the Company as at the date of this announcement), subject to their acceptance.

Principal terms of the grant of Options to grantees are set out below:

Date of grant of the Options	:	28 August 2019												
Number of the Options granted	:	16,000,000 Options												
Exercise price	:	HK\$1.38 per Share, which is higher than each of the following: <ul style="list-style-type: none">(i) the closing price of HK\$1.29 per Share as stated in the daily quotations sheet of the Stock Exchange on 28 August 2019;(ii) the average closing price of HK\$1.364 per Share as stated in the daily quotations sheets of the Stock Exchange for five business days immediately preceding 28 August 2019; and(iii) the nominal value of HK\$0.05 per Share												
Exercise period	:	<table><thead><tr><th>Number of Options</th><th>Exercise period</th></tr></thead><tbody><tr><td>3,200,000</td><td>From 28 August 2020 to 27 August 2025 (both dates inclusive)</td></tr><tr><td>3,200,000</td><td>From 28 August 2021 to 27 August 2025 (both dates inclusive)</td></tr><tr><td>3,200,000</td><td>From 28 August 2022 to 27 August 2025 (both dates inclusive)</td></tr><tr><td>3,200,000</td><td>From 28 August 2023 to 27 August 2025 (both dates inclusive)</td></tr><tr><td>3,200,000</td><td>From 28 August 2024 to 27 August 2025 (both dates inclusive)</td></tr></tbody></table>	Number of Options	Exercise period	3,200,000	From 28 August 2020 to 27 August 2025 (both dates inclusive)	3,200,000	From 28 August 2021 to 27 August 2025 (both dates inclusive)	3,200,000	From 28 August 2022 to 27 August 2025 (both dates inclusive)	3,200,000	From 28 August 2023 to 27 August 2025 (both dates inclusive)	3,200,000	From 28 August 2024 to 27 August 2025 (both dates inclusive)
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If any Option(s) is/are not exercised within the relevant exercise periods set out above, such Option(s) lapse upon the expiry of the relevant exercise period.

None of the grantees of the above-mentioned Options is a director, chief executive officer or substantial shareholder of the Company, or an associate (as defined under the Listing Rules) of any of them.

GRANT OF OPTIONS TO EXECUTIVE DIRECTOR

On 28 August 2019, the Board has resolved to grant Mr. Chen (being an executive Director and the chief executive officer of the Company) a total of 64,000,000 Options to subscribe for 64,000,000 Shares (representing approximately 4.07% of the total issued share capital of the Company as at the date of this announcement), subject to his acceptance.

Principal terms of the grant of Options to Mr. Chen are set out below:

- Date of grant of the Options : 28 August 2019
- Number of the Options granted : 64,000,000 Options
- Exercise price : HK\$1.38 per Share, which is higher than each of the following:
- (i) the closing price of HK\$1.29 per Share as stated in the daily quotations sheet of the Stock Exchange on 28 August 2019;
 - (ii) the average closing price of HK\$1.364 per Share as stated in the daily quotations sheets of the Stock Exchange for five business days immediately preceding 28 August 2019; and
 - (iii) the nominal value of HK\$0.05 per Share
- Exercise period : The exercise of the following 32,000,000 Options is not subject to any conditions:

Number of Options	Exercise period
16,000,000	From the date following the EGM to 30 June 2020 (both dates inclusive)
16,000,000	From 1 July 2020 to 31 December 2020 (both dates inclusive)

Subject to the fulfilment of the performance targets for the two years ending 31 December 2021 and 2022 as described below, 32,000,000 Options (“Conditional Options”) will be vested and exercisable as follows:

Number of Options **Exercise period and performance targets**

16,000,000
 (“**Conditional Options I**”)

Conditional Options I will be vested and exercisable during the period from 1 May 2022 to 30 April 2023 if, as stated in the audited consolidated financial statements of the Company for the year ending 31 December 2021, (i) revenue of the Group is not less than RMB1,250 million; and (ii) profit after tax of the Group (excluding the share of profits or losses of AD Pharmaceuticals Co., Ltd., an associate of the Company) is not less than RMB395 million (“2021 Performance Targets”).

If any of 2021 Performance Targets is not met on or before 30 April 2022, Conditional Options I will be vested and exercisable during the period from 1 May 2023 to 30 April 2024, on the condition that all 2022 Performance Targets (as defined below) are met on or before 30 April 2023.

If any of 2021 Performance Targets is not met on or before 30 April 2022 and any of 2022 Performance Targets is not met on or before 30 April 2023, Conditional Options I will automatically lapse.

16,000,000
 (“**Conditional Options II**”)

Conditional Options II will be vested and exercisable during the period from 1 May 2023 to 30 April 2024 if, (i) as stated in the audited consolidated financial statements of the Company for the year ending 31 December 2022, (1) revenue of the Group is not less than RMB1,500 million; and (2) profit after tax of the Group (excluding the share of profits or losses of AD Pharmaceuticals Co., Ltd., an associate of the Company) is not less than RMB500 million; and (ii) during the four years

ending 31 December 2022, the Group have obtained new approvals for productions issued by any regulatory body of any jurisdiction administering drugs and medical products with respect of not less than three chemical drugs (which the Group does not have approvals for productions) and have launched such products in the market for sale (“2022 Performance Targets”).

If any of 2022 Performance Targets is not met on or before 30 April 2023, Conditional Options II will automatically lapse.

The above targets were set as a basis for performance target for the vesting of the Options only and do not represent the Board’s projection or forecast of the Group’s performance in the two years ending 31 December 2022. The Board makes no representation on whether any of these targets can or may be achieved by the Group.

If any Option(s) is/are not exercised within the relevant exercise periods set out above, such Option(s) lapse upon the expiry of the relevant exercise period.

Reasons for the Grant of the Options to Mr. Chen

The purpose of the Scheme is to reward the participants of the Scheme who have contributed or will contribute to the Group and to encourage the participants of the Scheme to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

Mr. Chen joined the sales and marketing department of Suzhou Dawnrays Pharmaceutical Company Limited, a subsidiary of the Company, in August 2002 as area manager and was responsible for developing area market of the Group’s new specific medicines and managing sales business. Mr. Chen has extensive experience in sales promotion, network building, branding upgrade, planning and managing of business development in China pharmaceutical market.

Mr. Chen was appointed as the chief executive officer of the Company in April 2016 and was appointed as the executive Director in January 2018. As the chief executive officer of the Company, Mr. Chen is responsible for Group’s daily business operations and management. The financial performance of the Group between 2016 and 2018 have gradually increased in terms of its revenue, gross profit and profit (before and after tax). In view of the above, the grant of Options is to recognize his contributions to the Group, and as incentive and motivation to commit to the long-term business growth of the Company. In view of the above, the Directors (including the independent non-executive Directors) considered that the grant of the 64,000,000 Options in

aggregate to Mr. Chen is fair and reasonable and therefore is in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

The grant of the Options to Mr. Chen has been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules.

As the total number of Shares to be issued upon full exercise of the Options granted to Mr. Chen represents over 1% of the Shares in issue as at the date of grant, pursuant to the note to Rule 17.03(4) of the Listing Rules, the grant of the Options to Mr. Chen will be subject to approval by the Shareholders in EGM with Mr. Chen and his associates abstaining from voting. As at the date of this announcement, Mr. Chen directly beneficially owns 8,377,000 Shares and holds 16,000,000 share options granted by the Company.

EGM

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the grant of the Options to Mr. Chen. A circular containing, among other things, details of the grant of the Options to Mr. Chen, together with the notice of the EGM, will be despatched to the Shareholders in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Dawnrays Pharmaceutical (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve, among other things, the grant of the Options to Mr. Chen;
“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 People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Chen”	Mr. Chen Shaojun, the executive Director and the chief executive officer of the Company;
“Options”	share options granted or to be granted to subscribe for Shares pursuant to the Scheme;
“RMB”	the lawful currency of the PRC;
“Scheme”	the share option scheme adopted by the Company on 21 June 2013;
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 28 August 2019

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.