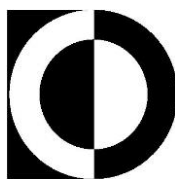


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**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 THE ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**RESULTS HIGHLIGHTS**

	For the year ended		Changes
	2021	2020	
Revenue (RMB'000)	1,165,155	1,024,270	13.8%
Gross profit (RMB'000)	681,262	550,645	23.7%
Gross profit margin (%)	58.5%	53.8%	4.7 percentage points
Gain on disposal of subsidiary (RMB'000)	99,069	-	n/a
Profit before tax (RMB'000)	439,323	331,298	32.6%
Profit attributable to owners of the parent (RMB'000)	358,175	268,130	33.6%
Profit for the year (RMB'000)	354,163	264,793	33.8%
Net profit margin (%)	30.4%	25.9%	4.5 percentage points
Earnings per share attributable to ordinary equity holders of the parent—basic (RMB)	0.2392	0.1736	37.8%
Proposed final dividend per share (HK\$)	0.065	0.05	30.0%
Proposed special dividend per share (HK\$)	-	0.05	n/a

The board (the “Board”) of the directors (the “Directors”) of Dawnrays Pharmaceutical (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021 (the “reporting period”) together with the comparative amounts for 2020 as follows:

\*for identification purpose only

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>REVENUE</b>	4	1,165,155	1,024,270
Cost of sales		<u>(483,893)</u>	<u>(473,625)</u>
<b>Gross profit</b>		681,262	550,645
Other income and gains	4	135,879	38,426
Selling and distribution expenses		(109,030)	(54,572)
Administrative expenses		(117,409)	(109,224)
Research and development costs		(67,028)	(57,944)
Other expenses	5	(37,292)	(12,434)
Finance costs	6	(641)	(4,828)
Share of losses of an associate		<u>(46,418)</u>	<u>(18,771)</u>
<b>PROFIT BEFORE TAX</b>	7	439,323	331,298
Income tax expense	8	<u>(85,160)</u>	<u>(66,505)</u>
<b>PROFIT FOR THE YEAR</b>		<u>354,163</u>	<u>264,793</u>
Attributable to:			
Owners of the parent		358,175	268,130
Non-controlling interests		<u>(4,012)</u>	<u>(3,337)</u>
		<u>354,163</u>	<u>264,793</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic, for profit for the year		<u>RMB0.2392</u>	<u>RMB0.1736</u>
Diluted, for profit for the year		<u>RMB0.2375</u>	<u>RMB0.1735</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<u>354,163</u>	<u>264,793</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	6,019	10,303
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	(6,963)	(14,279)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<u>(944)</u>	<u>(3,976)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u><u>353,219</u></u>	<u><u>260,817</u></u>
Attributable to:		
Owners of the parent	357,231	264,154
Non-controlling interests	<u>(4,012)</u>	<u>(3,337)</u>
	<u>353,219</u>	<u>260,817</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB '000	2020 RMB '000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		356,930	452,593
Right-of-use assets		110,755	124,553
Construction in progress		675,201	204,803
Goodwill		241,158	241,158
Other intangible assets		287,013	206,716
Investment in an associate		87,250	98,669
Loan to an associate		50,110	-
Long-term prepayments		14,356	20,000
Deferred tax assets		5,749	6,529
Total non-current assets		<u>1,828,522</u>	<u>1,355,021</u>
<b>CURRENT ASSETS</b>			
Inventories		203,476	246,028
Trade and notes receivables	11	346,778	330,747
Prepayments, other receivables and other assets		80,591	39,761
Financial assets at fair value through profit or loss		208,184	201,192
Cash and bank		577,744	730,986
		<u>1,416,773</u>	<u>1,548,714</u>
Assets held for sale		94,263	-
Total current assets		<u>1,511,036</u>	<u>1,548,714</u>
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	12	143,212	157,613
Other payables and accruals		490,521	312,074
Interest-bearing bank and other borrowings		21,013	-
Lease liabilities		980	924
Income tax payable		15,498	9,297
Other liabilities, current		25,880	-
Total current liabilities		<u>697,104</u>	<u>479,908</u>
NET CURRENT ASSETS		<u>813,932</u>	<u>1,068,806</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,642,454</u>	<u>2,423,827</u>
<b>NON-CURRENT LIABILITIES</b>			
Government grants		600	900
Deferred tax liabilities		66,871	61,715
Other liabilities, non-current		175,595	175,595
Lease liabilities		1,527	2,025
Total non-current liabilities		<u>244,593</u>	<u>240,235</u>
<b>Net assets</b>		<u>2,397,861</u>	<u>2,183,592</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2021

	Notes	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		80,370	81,072
Treasury shares		-	(430)
Reserves		2,300,344	2,089,861
		<u>2,380,714</u>	<u>2,170,503</u>
Non-controlling interests		<u>17,147</u>	<u>13,089</u>
<b>Total equity</b>		<u><u>2,397,861</u></u>	<u><u>2,183,592</u></u>

Notes:

## 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that have been measured at fair value. The financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

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 beyond 30 June 2021</i> (early adopted)

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB10,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

### 3. SEGMENT INFORMATION

For management purposes, the Group is organised 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 resource 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, non-lease-related finance costs, government grants, dividend income, fair value gains from the Group’s financial instruments, share of losses of an associate, 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.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities 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.



### 3. SEGMENT INFORMATION (continued)

#### Year ended

31 December 2021	Intermediates and bulk medicines <i>RMB'000</i>	Finished drugs <i>RMB'000</i>	Elimination of intersegment sales <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue:</b>				
Sales to external customers	156,003	1,009,152	-	1,165,155
Intersegment sales	59,560	1,855	(61,415)	-
	<u>215,563</u>	<u>1,011,007</u>	<u>(61,415)</u>	<u>1,165,155</u>
<b>Segment results</b>	(2,296)	546,252	-	543,956
<u><i>Reconciliation:</i></u>				
Unallocated gains				107,175
Corporate and other unallocated expenses				(211,268)
Finance costs (other than interest on lease liabilities)				(540)
Profit before tax				<u>439,323</u>

#### Year ended

31 December 2020	Intermediates and bulk medicines <i>RMB'000</i>	Finished drugs <i>RMB'000</i>	Elimination of intersegment sales <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue:</b>				
Sales to external customers	200,214	824,056	-	1,024,270
Intersegment sales	54,797	-	(54,797)	-
	<u>255,011</u>	<u>824,056</u>	<u>(54,797)</u>	<u>1,024,270</u>
<b>Segment results</b>	2,608	473,286	-	475,894
<u><i>Reconciliation:</i></u>				
Unallocated gains				34,237
Corporate and other unallocated expenses				(174,111)
Finance costs (other than interest on lease liabilities)				(4,722)
Profit before tax				<u>331,298</u>

### 3. SEGMENT INFORMATION (continued)

<b>As at 31 December 2021</b>	Intermediates and bulk medicines <i>RMB'000</i>	Finished drugs <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets:</b>	1,141,107	924,331	2,065,438
<i>Reconciliation:</i>			
Assets held for sale	94,263	-	94,263
Corporate and other unallocated assets			<u>1,179,857</u>
Total assets			<u>3,339,558</u>
<b>Segment liabilities:</b>	362,776	143,851	506,627
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>435,070</u>
Total liabilities			<u>941,697</u>
<b>As at 31 December 2020</b>	Intermediates and bulk medicines <i>RMB'000</i>	Finished drugs <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets:</b>	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>
<b>Segment liabilities:</b>	152,797	126,857	279,654
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>440,489</u>
Total liabilities			<u>720,143</u>

### 3. SEGMENT INFORMATION (continued)

Year ended	Intermediates			Total
	and bulk medicines	Finished drugs	Others	
31 December 2021	RMB '000	RMB '000	RMB '000	RMB '000
<b>Other segment information</b>				
Share of profits and losses of associate	-	-	(46,418)	(46,418)
Impairment losses recognised / (reversed) in the statement of profit or loss	405	(709)	-	(304)
Depreciation and amortisation	10,590	46,955	-	57,545
Investments in associates	-	-	87,250	87,250
Capital expenditure	294,831	292,228	-	587,059
Asset held for sale	94,263	-	-	94,263

Year ended	Intermediates			Total
	and bulk medicines	Finished drugs	Others	
31 December 2020	RMB '000	RMB '000	RMB '000	RMB '000
<b>Other segment information</b>				
Share of profits and losses of associate	-	-	(18,771)	(18,771)
Impairment losses recognised / (reversed) in the statement of profit or loss	(271)	2,708	-	2,437
Depreciation and amortisation	17,572	42,012	-	59,584
Investments in associates	-	-	98,669	98,669
Capital expenditure	158,029	150,526	-	308,555

#### **Geographical information**

##### *(a) Revenue from external customers*

	2021	2020
	RMB '000	RMB '000
Mainland China	1,102,806	929,093
Other countries	62,349	95,177
	<u>1,165,155</u>	<u>1,024,270</u>

The revenue information above is based on the locations of the customers.

### 3. SEGMENT INFORMATION (continued)

#### (b) Non-current assets

The Group's operations are substantially based in Mainland China and 98% of the non-current assets, excluding deferred tax assets and an investment in an associate, of the Group are located in Mainland China. Therefore, no further analysis of geographical information is presented.

### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers	<u>1,165,155</u>	<u>1,024,270</u>

#### **Revenue from contracts with customers**

##### (i) Disaggregated revenue information

For the year ended 31 December 2021

<u>Segments</u>	Intermediates and bulk medicines <i>RMB'000</i>	Finished drugs <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Types of goods or services</b>			
Sale of pharmaceutical products	152,509	1,007,171	1,159,680
Rendering of pilot test services	3,494	1,981	5,475
Total revenue from contracts with customers	<u>156,003</u>	<u>1,009,152</u>	<u>1,165,155</u>
<b>Geographical markets</b>			
Mainland China	100,107	1,002,699	1,102,806
Other countries	55,896	6,453	62,349
Total revenue from contracts with customers	<u>156,003</u>	<u>1,009,152</u>	<u>1,165,155</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	152,509	1,007,171	1,159,680
Services transferred over time	3,494	1,981	5,475
Total revenue from contracts with customers	<u>156,003</u>	<u>1,009,152</u>	<u>1,165,155</u>

#### 4. REVENUE, OTHER INCOME AND GAINS (continued)

##### Revenue from contracts with customers (continued)

##### (i) Disaggregated revenue information (continued)

For the year ended 31 December 2020

<u>Segments</u>	Intermediates and bulk medicines <i>RMB'000</i>	Finished drugs <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Types of goods or services</b>			
Sale of pharmaceutical products	195,630	824,056	1,019,686
Rendering of pilot test services	4,584	-	4,584
Total revenue from contracts with customers	<u>200,214</u>	<u>824,056</u>	<u>1,024,270</u>
<b>Geographical markets</b>			
Mainland China	107,518	821,575	929,093
Other countries	92,696	2,481	95,177
Total revenue from contracts with customers	<u>200,214</u>	<u>824,056</u>	<u>1,024,270</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	195,630	824,056	1,019,686
Services transferred over time	4,584	-	4,584
Total revenue from contracts with customers	<u>200,214</u>	<u>824,056</u>	<u>1,024,270</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of pharmaceutical products	<u>8,469</u>	<u>15,463</u>

#### 4. REVENUE, OTHER INCOME AND GAINS (continued)

##### Revenue from contracts with customers (continued)

###### (ii) Performance obligations

Information about the Group's performance obligations is summarised below:

###### *Sale of pharmaceutical products*

The performance obligation is satisfied upon delivery of the pharmaceutical products and payment is generally due within 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

###### *Rendering of pilot test services*

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Pilot test service contracts are for periods of one year or less, or are billed based on the time incurred.

The amounts of transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<u>14,451</u>	<u>8,469</u>

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b><u>Other income</u></b>		
Bank interest income	18,077	17,078
Government grants	7,597	6,885
Loan interest income	1,735	-
Dividend income from financial assets at fair value through profit or loss	414	382
Rental income	281	124
Others	<u>600</u>	<u>1,823</u>
	<u>28,704</u>	<u>26,292</u>
<b><u>Gains</u></b>		
Gain on disposal of a subsidiary	99,069	-
Fair value gain on financial assets at fair value through profit or loss, net	5,560	11,741
Gain on sales of scrapped materials	1,245	393
Foreign exchange gains, net	997	-
Reversal of inventories provision	<u>304</u>	<u>-</u>
	<u>107,175</u>	<u>12,134</u>
	<u>135,879</u>	<u>38,426</u>

## 5. OTHER EXPENSES

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of items of property, plant and equipment	29,956	460
Write-off of obsolete stocks	6,202	4,744
Donations	364	2,086
Impairment of intangible assets	-	2,088
Foreign exchange losses, net	-	1,476
Write-down of inventories provision	-	349
Others	770	1,231
	<u>37,292</u>	<u>12,434</u>

## 6. FINANCE COSTS

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans wholly repayable within five years	-	4,474
Interest on lease liabilities	101	106
Interest on discounted notes receivable	540	248
	<u>641</u>	<u>4,828</u>

## 7. PROFIT BEFORE TAX

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

	2021	2020
	<i>RMB '000</i>	<i>RMB '000</i>
Cost of inventories sold*	483,893	473,625
Depreciation of property, plant and equipment	44,645	50,182
Depreciation of right-of-use assets**	3,236	3,342
Research and development costs:		
Amortisation of intangible assets***	3,396	2,484
Current year expenditure	<u>63,632</u>	<u>55,460</u>
	<u>67,028</u>	<u>57,944</u>
Lease payments not included in the measurement of lease liabilities	<u>1,020</u>	<u>958</u>
Auditors' remuneration:		
Statutory audit service	<u>2,204</u>	<u>2,200</u>
Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	133,239	123,683
Equity-settled share option expense	4,328	8,109
Retirement benefits	9,404	1,073
Accommodation benefits	5,320	5,066
Other benefits	<u>19,732</u>	<u>18,382</u>
	<u>172,023</u>	<u>156,313</u>
Foreign exchange differences, net	(997)	1,476
Impairment of intangible assets	-	2,088
(Reversal)/write-down of inventories provision	(304)	349
Financial assets at fair value through profit or loss gains, net	(5,560)	(11,741)
Bank interest income	(18,077)	(17,078)
Gain on disposal of a subsidiary	99,069	-
Loss on disposal of items of property, plant and equipment	<u>29,956</u>	<u>460</u>

\* The depreciation of RMB32,359,000 for the year (2020: RMB38,293,000) is included in "Cost of inventories sold".

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

\*\*\* The amortisation of intangible assets amounted to RMB3,396,000 (2020: RMB2,428,000) for the year is included in "Cost of inventories sold" on the face of the consolidated statement of profit or loss.



## 8. INCOME TAX

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Current income tax</i>		
Charge for the year	78,704	69,980
Overprovision in prior years	520	1,170
<i>Deferred income tax</i>	5,936	(4,645)
Total tax charge for the year	<u>85,160</u>	<u>66,505</u>

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations. The undertaking for the Company is for a period of 20 years from 8 October 2002. Accordingly, the Company is not subject to tax.

The subsidiaries incorporated in the British Virgin Islands (the “BVI”) are not subject to income tax, as these subsidiaries do not have a place of business (other than a registered office only) or carry out any business in the BVI.

The Hong Kong subsidiaries are subject to tax at a statutory profit tax rate of 16.5% (2020: 16.5%) under the income tax rules and regulations of Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in its respective Hong Kong subsidiaries during the year (2020: Nil).

According to the PRC Enterprise Income Tax Law effective from 1 January 2008, the Mainland China Subsidiaries are all subject to income tax at the rate of 25% on their respective taxable income.

On 21 October 2008, Suzhou Dawnrays Pharmaceutical Co., Ltd. (“Suzhou Dawnrays Pharmaceutical”) was qualified as a High-New Technology Enterprise (“HNTE”) of Jiangsu Province. As a result, Suzhou Dawnrays Pharmaceutical had been entitled to a concessionary rate of income tax at 15% for three years commencing on 1 January 2008 and would apply for renewal of the qualification every three years.

On 2 December 2019, Fujian Dawnrays Pharmaceutical Co., Ltd. (“Fujian Dawnrays”) was qualified as a HNTE of Fujian Province. As a result, Fujian Dawnrays had been entitled to a concessionary rate of income tax at 15% for three years commencing on 1 January 2019 and would apply for renewal of the qualification every three years.

All other subsidiaries in Mainland China were subject to corporate income tax at a rate of 25% in 2021.

## 8. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country or jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>439,323</u>	<u>331,298</u>
At the PRC's statutory rate	109,831	82,825
Tax effect of profits entitled to tax concession or lower tax rate enacted by local authority	(63,253)	(36,023)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	17,745	15,126
Adjustments in respect of current income tax of previous periods	520	1,170
Expenses not deductible for tax	8,617	5,231
Tax credit for qualified research and development costs	(8,801)	(6,179)
Tax losses not recognised	20,629	5,652
Tax losses utilised from previous periods	<u>(128)</u>	<u>(1,297)</u>
Tax charge at the Group's effective rate	<u>85,160</u>	<u>66,505</u>

## 9. DIVIDENDS

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interim – HK\$0.015 (2020: HK\$0.015) per ordinary share	18,600	20,254
Proposed final – HK\$0.065 (2020: HK\$0.05) per ordinary share	79,355	62,655
Proposed special – Nil (2020: HK\$0.05) per ordinary share	<u>-</u>	<u>62,655</u>
	<u>97,955</u>	<u>145,564</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 10. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of 1,497,543,000 shares (2020: 1,544,589,000 shares) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year 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 year, 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 calculations of basic and diluted earnings per share are based on:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent	358,175	268,130
	<hr/>	<hr/>
	<u>Number of shares</u>	
	2021	2020
	Thousands	Thousands
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,497,543	1,544,589
Effect of dilution – weighted average number of ordinary shares:		
Share options	10,337	946
	<hr/>	<hr/>
	<u>1,507,880</u>	<u>1,545,535</u>

## 11. TRADE AND NOTES RECEIVABLES

	Notes	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	(i)	180,017	176,391
Notes receivable	(ii)	166,761	154,356
		<hr/>	<hr/>
		346,778	330,747
Impairment		-	-
		<hr/>	<hr/>
		<u>346,778</u>	<u>330,747</u>

## 11. TRADE AND NOTES RECEIVABLES (continued)

Notes:

- (i) 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. Each customer has a credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to manage credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and notes receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
	RMB'000	RMB'000
Trade receivables		
Outstanding balances with ages:		
Within 90 days	162,417	162,178
Between 91 and 180 days	11,717	10,600
Between 181 and 270 days	3,368	2,498
Between 271 and 360 days	1,388	392
Over one year	1,127	723
	<u>180,017</u>	<u>176,391</u>

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

From 1 January 2018, the Group has applied the simplified approach to provide impairment for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs below also incorporate forward-looking information. The impairment is determined as follows:

	2021	2020
Expected credit loss rate	<0.1%	<0.1%
Gross carrying amount (RMB'000)	180,017	176,391
Impairment (RMB'000)	-	-

- (ii) Notes receivable are held with a business model with the objective of both holding to collect contractual cash flows and selling as the Group sometimes endorses notes receivable to suppliers prior to their expiry date. These are classified and measured as debt instruments at fair value through other comprehensive income. Notes receivable are subject to impairment under the general approach. The Group estimated that the expected credit loss rate for notes receivable was minimal.

## 11. TRADE AND NOTES RECEIVABLES (continued)

Notes: (continued)

(ii) (continued)

### Financial assets that are not derecognized in their entirety

As at 31 December 2021, the Group endorsed certain notes receivable accepted by banks in the PRC (the “Endorsed Notes”) with a carrying amount of RMB45,670,000 (2020: RMB45,320,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Notes, including sale, transfer or pledge of the Endorsed Notes to any other third parties. The aggregate carrying amounts of the trade payables and other payables settled by the Endorsed Notes during the year to which the suppliers have recourse were RMB711,000 (2020: RMB11,156,000) and RMB44,959,000 (2020: RMB34,164,000) as at 31 December 2021, respectively.

As at 31 December 2021, the Group discounted certain notes receivable accepted by banks in the PRC (the “Discounted Notes”) with a carrying amount of RMB21,013,000 (2020: nil). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Notes, and accordingly, it continued to recognize the full carrying amounts of the Discounted Notes and the associated short-term borrowings. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Notes, including sale, transfer or pledge of the Discounted Notes to any other third parties. The aggregate carrying amount of short-term borrowings arising from the Discounted Notes was RMB21,013,000 as at 31 December 2021.

### Financial assets that are derecognized in their entirety

At 31 December 2021, the Group discounted certain note receivable accepted by banks in the PRC (the “Derecognized Notes”) with a carrying amount of RMB21,507,000 (2020: nil). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognized Notes is remote in the absence of a default of the accepted banks. The Group has not retained the substantial risks and rewards, which include default risks relating to such Derecognized Notes. The Group has transferred substantially all risks and rewards relating to the Derecognized Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognized Notes. The maximum exposure to loss from the Group's continuing involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the Derecognised Notes are not significant.

## 12. TRADE AND NOTES PAYABLES

An ageing analysis of the trade payables and notes payable as at the end of the reporting period is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Outstanding balances with ages:		
Within 90 days	65,220	116,043
Between 91 and 180 days	77,231	40,857
Between 181 and 270 days	215	227
Between 271 and 360 days	236	50
Over one year	<u>310</u>	<u>436</u>
	<u>143,212</u>	<u>157,613</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The aggregate carrying amount of the trade payables settled by the Endorsed Notes during the year to which the suppliers have recourse was RMB711,000 as at 31 December 2021.

# **CHAIRMAN’S STATEMENT**

## **GROUP RESULTS**

The Group recorded revenue of approximately RMB1,165,155,000 for the year ended 31 December 2021 (2020: RMB1,024,270,000), representing an increase of 13.8% as compared to 2020. Profit attributable to owners of the parent was approximately RMB358,175,000 (2020: RMB268,130,000), representing an increase of 33.6% compared with 2020.

Profit attributable to owners of the parent included the investment gain of RMB99,069,000 on the disposal of 65% equity interest in Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd. by the Group; loss of RMB29,561,000 on the disposal of assets by Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd.; share of losses from an associate, AD Pharmaceuticals Co., Ltd., RMB46,418,000 (2020: RMB18,771,000) Excluding the above factors, operating profit was RMB335,085,000 (2020: RMB286,901,000), representing an increase of 16.8% as compared with 2020.

The revenue and operating profit increase were mainly due to a significant increase in the sales volumes of products of the Group for which bids were won in the national centralized procurement of drugs (collectively referred to as “Centralized Procurement of Drugs”), namely Amlodipine Besylate Tablets (5mg), Atorvastatin Calcium Tablets (10mg), Entecavir Dispersible Tablets (0.5mg), Levocetirizine Dihydrochloride Tablets (5mg) and other specific medicines as compared with 2020.

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK\$0.065 per share for the year ended 31 December 2021 (2020: HK\$0.05), amounting to the total sum of approximately HK\$97,392,000 (2020: HK\$74,813,000) (equivalent to approximately RMB79,355,000 (2020: RMB62,655,000)), to the shareholders whose names appeared in the register of members as of Monday, 6 June 2022 subject to the approval of the shareholders at the forthcoming 2022 Annual General Meeting (the “2022 AGM”).

Taking into consideration the interim dividend of HK\$0.015 per share paid on 5 October 2021 together with, the recommended payment of final dividend of HK\$0.065 per share, the total annual dividend distributed for the year will be HK\$0.08 per share. The annual dividend payout ratio will be approximately 27.3%, representing a year-on-year decrease of 3.6 percentage points.

## **BUSINESS REVIEW**

During the reporting period, the pandemic was still raging. Omicron spread all over the world. Imported cases and local cases also occurred sporadically in many parts of China. Whenever a case was found in a region, epidemic prevention control and region-wide testing measures must be implemented. This did not have a significant impact on the production and operation of the Company but still had a certain impact on the construction progress of two indirectly owned subsidiaries, Lanzhou Dawnrays Pharmaceutical Co., Ltd. (“Lanzhou Dawnrays”) Project and Suzhou Dawnrays Pharmaceutical Co., Ltd. (“Suzhou Dawnrays Pharmaceutical”) Shanfeng Road Project. With efforts for acceleration, the construction of the new factories in both places was nearing completion. The projects were expected to carry out verification and put into operation in 2022.

During the reporting period, due to the continuous impact of Centralized Procurement of Drugs in respect of which the bids were won in the Centralized Procurement of Drugs, the sales volume of specific medicines of the Group further increased considerably year on year. A bid was won for the An series of Amlodipine Besylate Tablets (“Anneizhen (安內真)”) of Suzhou Dawnrays Pharmaceutical, leading to the significant year-on-year increase in the sales volume. In addition, there was a year-on-year increase in the sales volume of the same series of Losartan Potassium and Hydrochlorothiazide Tablets (“Anneixi (安內喜)”). The sales volume of Entecavir Dispersible Tablets also increased. The sales volume of Atorvastatin Calcium Tablets of Fujian Dawnrays rose as compared with the previous year.

In addition to the government’s continuous strict control over the clinical use of antibiotics, there was a year-on-year decrease in domestic and export sales of cephalosporin intermediates, bulk medicines, powder for injection and oral preparations of the Group during the reporting period due to the flare-ups of COVID-19 in the world.

During the reporting period, Phase III and Phase I clinical work was carried out respectively for clinical trials for Class I new drug registration of monoclonal antibody agent ebronucimab (PCSK9 monoclonal antibody) (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 developed by AD Pharmaceuticals Co., Ltd. (“AD Pharmaceuticals”), a joint venture enterprise established by the Group. According to the information of clinical trial research and the project progress known to the Group, the Group remains cautiously optimistic about the investment prospect.

In addition, in order to facilitate the Group’s technological innovation in the research and development of preparation products, especially specific medicines, Nanjing PharmaRays Science and Technology Co., Ltd. (“Nanjing PharmaRays”), a joint venture established by the Group and several medical experts carried out various research and development projects, 4 of which were carried out by Nanjing PharmaRays under the engagement by the Group.

During the Reporting Period, the research and development department of the Group actively accelerated and advanced the consistency evaluation of the quality and efficacy of generic drugs for certain selected and promising oral solid dosage forms and cephalosporin series of products. According to the “14th Five-Year Plan for Medical Insurance System with Universal Coverage”, there will be 500 varieties of drugs in the national and provincial centralized procurement of drugs in 2025, and the consistency evaluation of drugs will be beneficial to including the drugs in the national centralized procurement activities in the future. In terms of research and development of new products, in addition to self-research projects, during the reporting period, the Group and Nanjing Han Xin Pharmaceutical Technology Co., Ltd. (南京漢欣醫藥科技有限公司) entered into a product cooperation agreement for joint research and development of 5 products. For details, see the announcement of the Company published on the website of the Stock Exchange on 23 September 2021. Without significant changes, the Group will launch several new products in different treatment fields in the next few years.

As previously disclosed by the Company, due to land replanning requirements of the local government of the place where the enterprise is located or the land environment replanning requirements of the local government and in consideration of the long-term development strategy of the Company, the production workshop of Suzhou Dawnrays Pharmaceutical will be relocated from the factory on Tianling Road to the new factory on Shanfeng Road, and the office building will be relocated to the factory on Minfeng Road. As the new factory on Shanfeng Road was about to be completed, the production function of Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd. (“Su Zhou Dawnrays Pharma Sci-Tech”), an indirect wholly-owned subsidiary of the Company, was integrated into the new factory, and the Group disposed of a 65% equity interest and the remaining 35% equity interest in Su Zhou Dawnrays Pharma Sci-Tech to independent third parties on 30 July



2021 and 26 January 2022 respectively. For details, see the announcements of the Company published on the website of the Stock Exchange on 30 July 2021 and 26 January 2022. The new factory of Lanzhou Dawnrays in Chemical Industry Park, Lanzhou New District will also be completed and is expected to be put into operation in 2022. The management of the Group is carrying out close follow-up and enhancing management to reduce the operating risks from the relocation. Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. (“Dawnrays Nantong”), an indirect wholly-owned subsidiary of the Company, suspended the production in January 2021, and the main activities of the company were handling factory relocation and general corporate administrative matters during the reporting period.

## **OUTLOOK**

In 2021, despite an increase in the cost of construction projects and production costs due to a continuous rise in the prices of raw and auxiliary materials, energy, building materials, freight and other resources, the Group continued to invest a large amount of funds to build new factories, mainly for facilitating the construction of more automated new factories, optimizing the process technology and production facilities for intermediates and bulk medicines, expanding its production capacity and product mix to enhance its competitiveness in domestic sales and export of bulk medicines, and creating cost and quality advantages for its downstream products, and giving full play to the role of the enterprise in the integration of bulk medicines and preparations, and reducing production costs. Meanwhile, energy-saving and emission-reduction facilities will be used in constructing the new factory, to support the environmental protection policy and the goal of carbon peaking by 2030, thus achieving the sustainable development of the Group.

With steady financial resources, the Group as a pharmaceutical manufacturer will increase its research and development investment. With the implementation of the drug marketing authorization holder system and the prevalence of the contract development manufacturing organization (“CDMO”), the Group will also search for suitable varieties to enrich its product mix and explore more products in different therapeutic areas, especially chronic diseases and children’s drugs, so as to meet the market demand arising from the aging population and the government policy to encourage childbirth in China.

In addition, under the guidance of government policies, the development of the industry will be more standardized and centralized, with competition for the survival of the fittest, and the increased competition among enterprises. The Group’s sales team closely monitors the market conditions, and actively plans for winning bids in the future national centralized procurement of drugs, in addition to changing the corporate marketing system in a timely manner and tapping into the terminal market to broaden the product coverage. The purchase by more hospitals of the products for which the bids are won will make more patients know the products of the Group, thus improving the brand of Dawnrays Pharmaceutical. This facilitates the international development of the Group in the long run.

With the completion of the new factory of Suzhou Dawnrays Pharmaceutical on Shanfeng Road and the completion and operation of the Lanzhou Dawnrays project, Mr. Wu Weixian (吳偉賢), newly-appointed chief executive officer, will fully implement the development strategy of the Company, lead Dawnrays Pharmaceutical to open a new chapter and continue to contribute to human health. This will contribute to the sustainable development of the Group and bring long-term value to shareholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATIONS

During the review period, with the normal management of the COVID-19 outbreak in China, the economy of China recovered and the pharmaceutical market was stable with movement in a positive direction. There was a significant increase in the sales of the Group's four products for which bids were won in the national centralized procurement, thus driving the continuous growth in the second and third terminal markets. There was an increase of 19.6% and 14.4% in the sales volume and sales of anti-hypertensive drug in "An" (安) series medicines of the Group as compared with the same period of 2020 respectively. There was a year-on-year increase of 37.5% and 47.4% respectively in the sales volume and sales of Fujian Dawnrays series products which are mainly used for treating hyperlipidemia. The sales volume and sales of Entecavir Dispersible Tablets, an anti-HBV drug increased by 49.6% and 8.1% year on year respectively.

The COVID-19 outbreak mainly caused an impact on the sales volume of the Group's antibiotic series products. There was a decrease of 1.5% in the sales volume of cephalosporin for oral when compared with the same period of 2020. The sales volume of cephalosporin intermediates and bulk medicines, compared with the same period of 2020 decreased by 24.2%. The sales volume and sales of powder for injections was increased of 34.1% and 42.9% compared with the same period of 2020 respectively.

During the period, in the face of the challenge of rapid increase in production, the Group actively guaranteed the supply of the products for which bids were won in the national centralized procurement. In response to the rapid changes in the market, the marketing management personnel appropriately adjusted the Group's product marketing ideas and sales strategies and strengthened the allocation of resources to explore new markets. Meanwhile, the Group made market development arrangements for new products, and strove to achieve reasonable growth in the sales of its drugs in 2022, so as to contribute to the profit of the Group.

### *ANTI-HYPERTENSIVE PRODUCTS*

The Group has advantages in anti-hypertensive series of products. Through more than 20 years of deep engagement of the Group in the pharmaceutical market, the series of products had a good brand reputation among doctors and patients with hypertension. Based on the Group's integration of the survey data of market research institutions, "Anneizhen" (安内真) was ranked in the leading position among similar products on the second and third market terminals in many cities and provinces in terms of sales, and gained considerable market shares. Moreover, another anti-hypertensive drug "Anneixi" (安内喜) (Losartan Potassium and Hydrochlorothiazide Tablets) of the Group was ranked among the top domestic brands in terms of sales and became the Group's second star product for anti-hypertension. The sales of the series of products were RMB520,414,000 in 2021 (2020: RMB455,054,000), accounting for 44.7% of the sales of the Group. In the future, the Group's marketing management team will focus more on brand planning, channel building, price adjustment and academic promotion of the "An" (安) series products, strengthen the access design of products for different markets by closely following up national policies related to chronic disease management, and further explore the new market.

### *ANTI-HYPERLIPIDEMIC PRODUCTS*

Anti-hyperlipidemic products are products newly developed by the Group. During the period, with the centralized procurement in alliance member regions, there was a continuous increase in the sales of Fujian Dawnrays's Atorvastatin Calcium Tablets. The sales of the anti-hyperlipidemic products were RMB255,059,000 (2020: RMB170,208,000), accounting for 21.9% of the sales of the Group. The Group ranked in leading position in the sales market in China in terms of such sales.

### *ANTIVIRAL PRODUCTS*

The antiviral products are covered by the traditional treatment sector of the Group. There was a steady increase in the domestic market share of Entecavir Dispersible Tablets of the Group with the “unique cyclodextrin inclusion technology”. During the period, the sales of the products in China were RMB90,503,000 (2020: RMB83,714,000), accounting for 7.8% of the sales of the Group, which was better than expectations, due to winning the bid for centralized procurement of drugs in national alliance member regions. The Group ranked in leading position in the sales market in China in terms of such sales.

### *PRODUCTS FOR GOUT TREATMENT*

In order to enrich the Group’s product line, on 24 December 2020, Suzhou Dawnrays Pharmaceutical Co., Ltd., a subsidiary of the Group, signed a marketing authorization holder 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 for gout treatment. On 2 February 2021, Nanjing Haina Medical and Pharmaceutical Technology Company Limited (南京海納醫藥科技股份有限公司) obtained the drug registration certificates for Febuxostat Tablets (40mg, 80mg). The change of the marketing authorization holder to Suzhou Dawnrays Pharmaceutical Co., Ltd. was approved on 6 May 2021. During the period, the product was marketed. The product will bring a new source of profit for the Group in the future.

### *INTERMEDIATES AND BULK MEDICINES*

During the period, related review and filing work for bulk medicines was actively carried out by the Group to further increase the market share. During the review period, the Group allocated resources and actively promoted the construction of Lanzhou Dawnrays bulk medicines production base and Suzhou Dawnrays Pharmaceutical Co., Ltd. relocation project, thus laying a solid foundation for the future production of bulk medicines and intermediates.

### *PRODUCT RESEARCH AND DEVELOPMENT*

In addition to its research and development center, the Group and third parties jointly established Nanjing PharmaRays Science and Technology Co., Ltd. which is controlled by the Group, thus forming a pattern of dual research and development centers. Nanjing PharmaRays is an independent research and development company specializing in using new technologies of drug delivery systems for developing new drug products. Currently engaged in the research and development of generic drugs and new drugs. In addition, the Group cooperated with various domestic scientific research institutions to develop new drugs.

Apart from the description in the following section of “NEW PRODUCTS AND PATENT LICENSING”, the Group’s ongoing projects cover the therapeutic areas of the circulatory system, digestive system, endocrine system, ophthalmology, dermatology, pediatrics, orthopedics, gynecology, antiviral drugs, etc., and involve bio-pharmaceuticals, polypeptide drugs, chemical pharmaceuticals, etc. The Group will continue investing more resources in research and development and innovation of production technology and products, and seek various scientific research cooperation opportunities so as to optimize our product mix and profitability foundation.

### *CONSISTENCY EVALUATION*

As at 31 December 2021, according to statistics by product specification, the Group conducted quality and efficacy research into 31 varieties, with the applications for 9 varieties (Entecavir Dispersible Tablets (0.5mg), Amlodipine Besylate Tablets (5mg), Amlodipine Besylate Tablets (2.5mg), Levocetirizine Dihydrochloride Tablets (5mg), Cetirizine Hydrochloride Tablets (10mg), Metformin Hydrochloride Tablet (250mg), Azithromycin Tablets (250mg), Clarithromycin Tablets (250mg) and Telmisartan Tablets (80mg)) approved. The applications for consistency evaluation for 8 varieties have been submitted to the Center for Drug Evaluation, NMPA. Moreover, pharmaceutical research into 14 of such varieties is ongoing.

### ***COST REDUCTION AND EFFICIENCY IMPROVEMENT***

During the period, the Group continued to carry out energy conservation, emission reduction and cost reduction and efficiency enhancement activities of all employees. With the full utilization of the production capacity, production costs continuously decreased, which made an important contribution to increasing the Group's profitability.

### ***OTHER MATTERS***

During the period, the Group continued improving production, product quality, human resources, internal audit etc., and endeavored to enhance the risk control capability and improve the operating level of various systems, in an attempt to maintain the Group's sustainable development in the fierce business competition environment.

## **PRODUCTION AND SALES**

For the year ended 31 December 2021, there was a decrease of 41.5% in the production volume and 24.2% in the sales volume of intermediates and bulk medicines of the Group, as compared with 2020. There was a decrease of 6.6% in the production volume and an increase of 34.1% in the sales volume of cephalosporin powder for injection, as compared with last year. The decreases in the production and sales volumes of intermediates and bulk medicines were mainly due to the impact of the COVID-19 outbreak, while the increase in the sales volume of powder for injection was due to winning the bid for compound cefoperazone in certain provinces. There was an increase of 22.2% in the production volume and a rise of 27.9% in the sales volume of solid-dosage-forms as compared with the same period of last year. In terms of international business, the Group's sales in overseas markets declined due to the COVID-19 outbreak and Dawnrays Nantong discontinued production for relocation. The sales of overseas markets accounted for 5.4% of the total sales of the Group.

## **NEW PRODUCTS AND PATENT LICENSING**

In 2021, the Group applied to the Center for Drug Evaluation, CFDA for the registration of a total of 15 varieties, with supplementary applications (consistency evaluation) for 7 varieties, supplementary applications for 2 varieties, and registration application for 2 bulk medicines, and 4 Class 4 chemical medicines. In 2021, the Group obtained 2 drug production approvals, 3 consistency evaluation approvals and 2 supplementary application approvals.

In 2021, the Group obtained a total of 2 invention patent certificates and 15 utility model patent certificates.

## HONORS AWARDED TO THE GROUP IN THE SECOND HALF OF 2021

Time of Awards	Honors
October 2021	<ul style="list-style-type: none"> <li>- Fujian Dawnrays Pharmaceutical Co., Ltd. was awarded the honorary plaque of “thank you for the joint fight against the epidemic (同心抗疫、感謝有您)” by the CPC Committee of Putian and the Municipal People’s Government of Putian.</li> <li>- Suzhou Dawnrays Pharmaceutical Co., Ltd. was granted the title of “Excellent Anti-Hypertensive Product Brand” by the China Pharmaceutical Industry Association, for “Amlodipine Besylate Tablets (Anneizhen (安內真)).”</li> <li>- Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized as the “Trustworthy Enterprise in Suzhou” (2019-2020).</li> </ul>
November 2021	<ul style="list-style-type: none"> <li>- Suzhou Dawnrays Pharmaceutical Co., Ltd. was granted the title of an excellent brand by Jiangsu Provincial Pharmacy Association, for “Anneizhen (安內真)”, “Leiyide” (雷易得)”, “Anneixi” (安內喜) and “Xikexin (西可新).”</li> </ul>
December 2021	<ul style="list-style-type: none"> <li>- Fujian Dawnrays Pharmaceutical Co., Ltd. was granted the title of “Advanced Organization in the city-wide statistical investigation 2020-2021” by the Putian Investigation Team of the National Bureau of Statistics(國家統計局莆田調查隊).</li> <li>- Suzhou Dawnrays Pharmaceutical Co., Ltd. was recognized as “Trustworthy Enterprise in Jiangsu Province” (2019-2020).</li> <li>- Suzhou Dawnrays Pharmaceutical Co., Ltd. was granted the honor of “Trustworthy and Excellent Organization” (2020-2021) by the Medicine, Equipment, Health Products and Cosmetics Industry Association of Wuzhong District, Suzhou (蘇州市吳中區藥械保化行業協會).</li> </ul>
January 2022	<ul style="list-style-type: none"> <li>- Fujian Dawnrays Pharmaceutical Co., Ltd. was granted the “First Prize for Enterprises with Outstanding Economic Contribution in 2021” by the CPC Committee of Licheng District and the People’s Government of Licheng District.</li> </ul>

## FINANCIAL REVIEW

### SALES AND GROSS PROFIT

For the year ended 31 December 2021, the Group recorded a turnover of approximately RMB1,165,155,000, increased by RMB140,885,000 or 13.8% compared with last year, of which the turnover of intermediates and bulk medicines was RMB156,003,000, decreased by RMB44,211,000 or 22.1% compared with last year. The turnover of finished drugs was RMB1,009,152,000, increased by RMB185,096,000 or 22.5% compared with last year. The decrease in the sales of intermediates and bulk medicines was mainly due to the impact of the COVID-19 outbreak and the decrease in the intermediates business volume as a result of the relocation of Dawnrays Nantong. The increase in the sales of finished drugs was mainly due to winning the bids for four products of the Group in the national centralized procurement of drugs, and the resulting in growth of the second and third market terminals.

Sales amount of finished drugs, comprising system specific medicines, powder for injection and tablets of cephalosporin and other oral solid-dosage-form of antibiotics, reached approximately RMB1,009,152,000. Taking into account of the total turnover, sales amount of finished drugs was approximately 86.6%, increased by 6.1 percentage points compared with last year. Sales amount of system specific medicines accounted for 95.3% of sales of finished drugs.

Gross profit was approximately RMB681,262,000, increased by RMB130,617,000 compared with last year, representing an increase of 23.7%. Gross profit margin increased by approximately 4.7 percentage points to 58.5% from 53.8% as in last year. Mainly due to the Group's production costs continuously decreased with the full utilization of production capacity, the gross profit margin increased.

## TABLE OF TURNOVER ANALYSIS

PRODUCT	TURNOVER			SALES BREAKDOWN		
	(RMB'000)	(RMB'000)	(RMB'000)	(%)	(%)	Percentage points
	2021	2020	changes	2021	2020	changes
Intermediates and Bulk Medicines	<b>156,003</b>	200,214	-44,211	<b>13.4</b>	19.5	-6.1
Finished Drugs	<b>1,009,152</b>	824,056	185,096	<b>86.6</b>	80.5	6.1
Overall	<b>1,165,155</b>	1,024,270	140,885	<b>100.0</b>	100.0	-

## EXPENSES

During the year, the total expenses incurred were approximately RMB331,400,000, representing an increase of RMB92,398,000 from RMB239,002,000 in the previous year, and accounted for 28.4% of the turnover (2020: 23.3%). Due to the COVID-19 normalization in China, the Group resumed various sales and promotion activities and enhanced the development of the second and third terminal markets. The selling expenses increased by RMB54,458,000 as compared with last year, and the selling expense ratio was approximate to that of 2019. The administrative expenses increased by RMB8,185,000 as compared with last year, mainly due to the increase in the administrative expenses of Lanzhou Dawnrays and Nanjing PharmaRays. Finance expenses were RMB641,000, representing a decrease of RMB4,187,000 as compared with the previous year. Research and development expenses increased by RMB9,084,000 as compared with the previous year. Other expenses increased by RMB24,858,000 as compared with the previous year, mainly increased the loss of RMB29,561,000 for the disposal of Dawnrays Nantong assets.

## SEGMENT PROFIT

For the year ended 31 December 2021, the segment profit from the finished drugs segment was approximately RMB546,252,000, representing an increase of RMB72,966,000 compared with RMB473,286,000 in 2020, mainly due to increase in the sales of finished drugs. The intermediates and bulk medicines had segment loss of RMB2,296,000 while it was segment profit of RMB2,608,000 in 2020. The loss was mainly due to decrease in intermediate business volume as result of the relocation of Dawnrays Nantong.

## **INTERESTS AND RIGHTS IN ASSOCIATE**

During the year, AD Pharmaceuticals Co., Ltd. (“AD Pharmaceuticals”), which is invested by Dawnrays Biotechnology Capital (Asia) Ltd. (“Dawnrays Biotechnology”), a subsidiary of the Group, conducted Phase III clinical trial of monoclonal antibody agent AK102 for the treatment of primary hypercholesterolemia and mixed hyperlipidemia and Phase I clinical trial of monoclonal antibody agent AK109 for the treatment of diseases including gastric cancer. Dawnrays Biotechnology invested a total of RMB185,000,000. Due to the business operation and clinical development of AD Pharmaceuticals and the development of the industrialization base of China-Singapore Guangzhou Knowledge City in Guangzhou, China, Dawnrays Biotechnology provided an unsecured interest-bearing loan of RMB49,000,000 to AD Pharmaceuticals during the period. For the year ended 31 December 2021, the R&D and administrative expenses occurred by AD Pharmaceuticals totaled approximately RMB132,623,000. As a result, in proportion to the investment percentage, the Group shared an investment loss of approximately RMB46,418,000, as compared with RMB18,771,000 in the same period of 2020.

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT**

For the year ended 31 December 2021, profit attributable to owners of the parent amounted to approximately RMB358,175,000, representing an increase of RMB90,045,000 or 33.6% compared with RMB268,130,000 in last year. Of which included the gain on disposal of Su Zhou Dawnrays Pharmaceutical Science and Technology Co. Ltd. RMB99,069,000 and the loss of assets disposal of Dawnrays Nantong RMB29,561,000.

## **ANALYSIS ON THE RETURN ON ASSETS**

As at 31 December 2021, net assets attributable to owners of the parent were approximately RMB2,380,714,000. 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 15.0% (2020: 12.4%). The current ratio and quick ratio was 2.17 and 1.88 respectively. Turnover days for trade receivables were approximately 55 days. The turnover days for trade receivables including bills receivables were 105 days. Turnover days for inventory were approximately 167 days. The financial liquidity was improved as compared with last year.

## **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

As at 31 December 2021, the Group had financial assets at fair value through profit or loss including:

- (i) invested in certain Hong Kong public listed shares amounted approximately RMB6,933,000 (31 December 2020: approximately RMB5,962,000);
- (ii) invested in financial bonds issued by China Development Bank amounted approximately RMB40,463,000 (31 December 2020: RMB30,174,000);
- (iii) purchased certain wealth management products (all were structured deposits) of approximately RMB160,000,000 (31 December 2020: RMB164,000,000) of floating interest rate principal-preservation type with annual interest rate from 1.30% to 3.70% from 5 good credit worth banks in China. The expected yield would be approximately RMB788,000 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;

The above mentioned financial assets at fair value through profit or loss amounted to approximately RMB208,184,000 (31 December 2020: approximately RMB201,192,000), representing approximately 6.2% (31 December 2020: 6.9%) of the total assets of the Group. For the year ended 31 December 2021, the Group recorded net gain of approximately RMB5,560,000 (2020: RMB11,741,000) on the financial assets at fair value through profit or loss. The Board believes that the investment in equity investments and financial assets can diversify the investment portfolio of the Group and achieve a better return to the Group in future.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, the Group had cash and bank balance approximately RMB577,744,000 (as at 31 December 2020: RMB730,986,000). During the year, the net cash inflows from operating activities was approximately RMB393,139,000 (2020: RMB302,903,000). Net cash outflows from investing activities was approximately RMB284,202,000 (2020 net cash inflows: RMB26,447,000). Net cash outflows from financing activities was approximately RMB129,754,000 (2020: RMB327,696,000).

As at 31 December 2021, the Group had aggregate bank facilities of approximately RMB1,100,000,000 (as at 31 December 2020: RMB1,300,000,000). As at 31 December 2021, the Group's interest-bearing bank and other borrowings was RMB21,013,000 (as at 31 December 2020: Nil), and the debt ratio (defined as sum of interest-bearing bank borrowings over total assets) of the Group was 0.6% (as at 31 December 2020: Zero). The above mentioned bank and other borrowings' interest rate were fixed ranging from 1.60% to 2.46%.

As at 31 December 2021, the Group had trade receivables of approximately RMB180,017,000 (as at 31 December 2020: RMB176,391,000), increased by 2.1% compared to 2020, mainly due to the impact of increase of sales.

As at 31 December 2021, the inventory balance of the Group was approximately RMB203,476,000 (as at 31 December 2020: RMB246,028,000), representing an decrease of RMB42,552,000 as compared with 2020. The decrease in inventory as at the end of the period was mainly due to decrease of stock-up of intermediates.

As at 31 December 2021, the Group's contracted but not provided for plant and machinery capital commitments amounted to approximately RMB239,908,000 (as at 31 December 2020: RMB252,523,000), which was mainly related to Suzhou Dawnrays Pharmaceutical relocation construction project and Lanzhou Dawnrays intermediates and bulk medicines production base project.

## **SUBSTANTIAL INVESTMENT**

In 2021, Nanjing PharmaRays, a majority-owned subsidiary of the Group and a research and development company, owned as to 65% by Suzhou Dawnrays Pharmaceutical, had the registered capital of RMB50,000,000, and Suzhou Dawnrays Pharmaceutical made a capital contribution of RMB32,500,000, in accordance with the joint venture agreement. The registered capital subscribed by the other two shareholders amounted to RMB17,500,000, of which RMB16,500,000 was paid and RMB1,000,000 was not paid.



As a result of the urban planning adjustment of Wuzhong Economic and Technological Development Zone by the Suzhou Municipal People's Government, Suzhou Dawnrays Pharmaceutical and the local government signed a relocation compensation agreement on 20 December 2017. The agreed relocation compensation amounted to approximately RMB351,200,000. As at 31 December 2021, Suzhou Dawnrays Pharmaceutical received the relocation compensation of RMB175,595,000. The factory of Suzhou Dawnrays Pharmaceutical located on Tianling Road in Wuzhong Economic and Technological Development Zone will be relocated to Wusongjiang Chemical Industrial Park in Wuzhong Economic and Technological Development Zone. The planned investment in the project was RMB402,000,000. The construction of the project is nearing completion and is expected to be completed and put into operation in 2022. During the year, Dawnrays International made an additional capital contribution of US\$17,500,000 to Suzhou Dawnrays Pharmaceutical.

As a result of the planning adjustment of Yangkou Chemical Industrial Park by the Rudong County People's Government of Nantong City, Dawnrays Nantong, a subsidiary of the Group, signed a relocation compensation agreement with the local government on 30 December 2020, and the compensation was RMB82,433,000. As at 31 December 2021, Dawnrays Nantong received the compensation of RMB25,880,000. The demolition of the factory of the company was nearing completion.

Lanzhou Dawnrays Pharmaceutical Co., Ltd., the intermediates and bulk medicines production base of the Group, was established on 30 December 2020 with a registered capital of US\$50,000,000, 95% of which was contributed by the Group and 5% by Xiangbei Welman Pharmaceutical Co., Ltd. (湘北威爾曼製藥股份有限公司). The project land area was 250 mu. As at the end of December 2021, the registered capital invested in total was US\$30,000,000. 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 planned investment in the project was RMB430,000,000. The construction of the project is nearing completion and is expected to be completed and put into operation in 2022.

During the year, to streamline the structure of the Group, the dissolution of Cinmed (Hong Kong) Investment Limited, a subsidiary of the Group's subsidiary Top Field Limited was approved on 11 February 2021. Deregistration of Cinmed Medical Equipment (Putian) Co., Ltd., a subsidiary of Fujian Dawnrays Pharmaceutical Co., Ltd. was approved on 1 February 2021. The goodwill arising from the acquisition of Top Field Limited and its subsidiary Fujian Dawnrays ("Fujian Dawnrays Goodwill") amounted to RMB241,158,000. The Group is required to check, at each reporting period end, whether the recoverable amount based on the value in use of the cash-generating unit of Fujian Dawnrays exceeds the carrying value at 31 December 2021. After an assessment, the Group believes that there were no indications of impairment on Fujian Dawnrays Goodwill as at 31 December 2021.

Save as disclosed above, there were no significant external investments, material acquisitions or disposal of subsidiaries and associated companies by the Group during the year.

## **FOREIGN EXCHANGE AND TREASURY POLICIES**

As at year ended 31 December 2021, the Group recorded an exchange gain of RMB997,000 (2020: loss of RMB1,476,000). The Group's substantial business activities, assets and liabilities are denominated in Renminbi, so the risk derived from the foreign exchange to the Group is not high. 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 31 December 2021, the Group employed approximately 1,065 (2020: 1090) employees and the total remuneration was approximately RMB172,023,000 (2020: RMB156,313,000). The total remuneration increased mainly due to salary increment and the severance fee for lay off certain Su Zhou Dawnrays Pharma Sci-Tech and Dawnrays Nantong employees. 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.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group had no material contingent liabilities.

## **CHARGES ON ASSETS**

As at 31 December 2021, the Group had not pledged any assets to banks to secure credit facilities granted to its subsidiaries (as at 31 December 2020: Nil).

## **EVENTS AFTER THE REPORTING PERIOD**

On 26 January 2022, the Group and Suzhou Rongxin Construction Development Co., Ltd. entered into an agreement, pursuant to which the company sold 35% of equity interest in Su Zhou Xinshen Pharmaceutical Science and Technology Co., Ltd. (formerly known as Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd.), further details of which were set out in the Company's announcement dated 26 January 2022.

On February 2022, Mr. Chen Shaojun has resigned from his position as an executive director and the chief executive officer of the Company as well as other directorships and general manager at the subsidiary or associated company level of the Company. Mr. Wu Weixian has been appointed to act as the chief executive officer of the Company with effect from 16 February 2022.

## **PLANS FOR SIGNIFICANT INVESTMENTS AND EXPECTED SOURCE OF FUNDING**

Save for those disclosed above in connection with capital commitments, increase of registered capital in subsidiaries and capital for relocation plans under the section “Liquidity and Financial Resources” and “Substantial Investment”, the Group does not have any plan for material investments or acquisition of capital assets.

The Group has sufficient financial and internal resources to pay the capital commitments, capital expenditure for relocation plans, investment projects and increased registered share capital described above. However, it is still possible to pay the above capital expenditure commitments with bank loans or internal resources of the Group.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the year, the Company repurchased 8,608,000 shares of the Company’s listed securities on The Stock Exchange of Hong Kong Ltd. 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. The repurchased shares were subsequently cancelled.

The monthly breakdown of shares repurchased during the year 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 paid (HK\$)
January 2021	4,432,000	1.40	1.12	5,616,880
February 2021	<u>4,176,000</u>	1.49	1.23	<u>5,825,520</u>
Total	<u>8,608,000</u>			<u>11,442,400</u>

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 year ended 31 December 2021.

## **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”) for the year ended 31 December 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 Company confirms that all the Directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the 2021 annual report.

## **AUDIT COMMITTEE**

The audited financial statements of the Company for the year ended 31 December 2021 have been reviewed by the Audit Committee before recommending them to the Board for approval.

## **DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has resolved to recommend the payment of a final dividend of HK\$0.065 per share to shareholders whose names appear in the Register of Members of the Company on Monday, 6 June 2022. The proposed final dividend of HK\$0.065 per share, the payment of which are subject to approval of the shareholders at the 2022 AGM of the Company to be held on Friday, 27 May 2022, are to be payable on Wednesday, 15 June 2022 to shareholders.

The register of members of the Company will be closed during the following periods:

- (i) from Monday, 23 May 2022 to Friday, 27 May 2022, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2022 AGM. In order to be eligible to attend and vote at the 2022 AGM, all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms must be lodged for registration not later than 4:30 p.m. on Friday, 20 May 2022 with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (ii) from Thursday, 2 June 2022 to Monday, 6 June 2022, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms must be lodged for registration not later than 4:30 p.m. on Wednesday, 1 June 2022 with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

## **APPRECIATION**

I would like to take this opportunity to express my heartfelt thanks to the shareholders, directors of the Company, partners, managers and employees of the Group for their support and contributions in businesses in the past year.

By Order of the Board  
**Li Kei Ling**  
Chairman

Hong Kong, 25 March 2022

*As at the date of this announcement, the Board of the Company comprises two executive directors, namely Ms. Li Kei Ling and Mr. Hung Yung Lai; 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.*