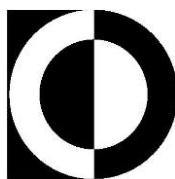


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DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED
東瑞製葯(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2348)

ANNOUNCEMENT OF THE ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS HIGHLIGHTS

	For the year ended		Changes
	2023	2022	
Revenue (RMB'000)	1,151,145	1,277,682	-9.9%
Gross profit (RMB'000)	641,519	773,551	-17.1%
Gross profit margin (%)	55.7%	60.5%	-4.8 percentage points
Share of losses of an associate (RMB'000)	40,933	61,905	-33.9%
Profit before tax (RMB'000)	414,057	438,408	-5.6%
Profit for the year (RMB'000)	322,667	355,851	-9.3%
Profit attributable to owners of the parent (RMB'000)	326,000	358,057	-9.0%
Net profit margin (%)	28.0%	27.9%	0.1 percentage points
Earnings per share attributable to ordinary equity holders of the parent—basic (RMB)	0.2174	0.2389	-9.0%
Proposed final dividend per share (HK\$)	0.065	0.073	-11.0%

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 2023 (the “reporting period”) together with the comparative amounts for 2022 as follows:

*for identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4	1,151,145	1,277,682
Cost of sales		<u>(509,626)</u>	<u>(504,131)</u>
Gross profit		641,519	773,551
Other income and gains	4	185,771	86,948
Selling and distribution expenses		(147,049)	(142,733)
Administrative expenses		(113,206)	(122,058)
Research and development costs		(90,808)	(79,478)
Other expenses	5	(20,248)	(15,546)
Finance costs	6	(989)	(371)
Share of losses of an associate		<u>(40,933)</u>	<u>(61,905)</u>
PROFIT BEFORE TAX	7	414,057	438,408
Income tax expense	8	<u>(91,390)</u>	<u>(82,557)</u>
PROFIT FOR THE YEAR		<u>322,667</u>	<u>355,851</u>
Attributable to:			
Owners of the parent		326,000	358,057
Non-controlling interests		<u>(3,333)</u>	<u>(2,206)</u>
		<u>322,667</u>	<u>355,851</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic, for profit for the year		<u>RMB0.2174</u>	<u>RMB0.2389</u>
Diluted, for profit for the year		<u>RMB0.2170</u>	<u>RMB0.2383</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>322,667</u>	<u>355,851</u>
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,679)	(10,414)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	6,304	18,819
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>3,625</u>	<u>8,405</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u><u>326,292</u></u>	<u><u>364,256</u></u>
Attributable to:		
Owners of the parent	329,625	366,462
Non-controlling interests	<u>(3,333)</u>	<u>(2,206)</u>
	<u>326,292</u>	<u>364,256</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 <i>RMB '000</i>	2022 <i>RMB '000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		758,907	696,122
Investment properties		2,739	-
Right-of-use assets		101,456	109,603
Construction in progress		356,898	495,144
Goodwill		241,158	241,158
Other intangible assets		288,307	295,027
Investment in an associate		-	25,345
Loan to an associate		106,457	51,825
Financial assets at fair value through profit or loss		20,000	-
Long-term prepayments		7,564	7,564
Deferred tax assets		18,977	6,860
Total non-current assets		1,902,463	1,928,648
CURRENT ASSETS			
Inventories		211,107	241,746
Trade and notes receivables	11	321,996	402,850
Prepayments, other receivables and other assets		120,396	103,782
Financial assets at fair value through profit or loss		160,871	181,357
Cash and bank balances		905,826	811,682
		1,720,196	1,741,417
Assets held for sale		-	2,578
Total current assets		1,720,196	1,743,995
CURRENT LIABILITIES			
Trade and notes payables	12	162,161	224,073
Other payables and accruals		341,129	516,068
Derivative financial instruments		-	474
Interest-bearing bank and other borrowings		120,060	6,434
Lease liabilities		364	1,534
Income tax payable		45,226	8,650
Other liabilities, current		-	174,824
Total current liabilities		668,940	932,057
NET CURRENT ASSETS		1,051,256	811,938
TOTAL ASSETS LESS CURRENT LIABILITIES		2,953,719	2,740,586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2023

	Notes	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Government grants		-	300
Deferred tax liabilities		94,382	89,975
Lease liabilities		103	444
Total non-current liabilities		<u>94,485</u>	<u>90,719</u>
Net assets		<u>2,859,234</u>	<u>2,649,867</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		80,455	80,389
Reserves		2,774,201	2,561,567
		<u>2,854,656</u>	<u>2,641,956</u>
Non-controlling interests		<u>4,578</u>	<u>7,911</u>
Total equity		<u>2,859,234</u>	<u>2,649,867</u>

Notes:

1. BASIS OF PREPARATION

These 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. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These 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 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The amendments did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING 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 finished drugs (including antibiotics finished drugs and non-antibiotics finished drugs) (the “finished drugs” segment)
- b) Manufacture and sale of intermediates and bulk medicines (the “intermediates and bulk medicines” 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 balances, 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. OPERATING SEGMENT INFORMATION (continued)

Year ended

31 December 2023

	Finished drugs <i>RMB'000</i>	Intermediates and bulk medicines <i>RMB'000</i>	Elimination of intersegment sales <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	1,021,726	129,419	-	1,151,145
Intersegment sales	-	80,632	(80,632)	-
Total segment revenue	1,021,726	210,051	(80,632)	1,151,145
Segment results	487,277	(32,692)	-	454,585
<i>Reconciliation:</i>				
Unallocated gains				145,811
Corporate and other unallocated expenses				(185,394)
Finance costs (other than interest on lease liabilities)				(945)
Profit before tax				414,057

Year ended

31 December 2022

	Finished drugs <i>RMB'000</i>	Intermediates and bulk medicines <i>RMB'000</i>	Elimination of intersegment sales <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	1,137,241	140,441	-	1,277,682
Intersegment sales	-	64,644	(64,644)	-
Total segment revenue	1,137,241	205,085	(64,644)	1,277,682
Segment results	608,806	(17,775)	-	591,031
<i>Reconciliation:</i>				
Unallocated gains				47,226
Corporate and other unallocated expenses				(199,553)
Finance costs (other than interest on lease liabilities)				(296)
Profit before tax				438,408

3. OPERATING SEGMENT INFORMATION (continued)

As at	Finished	Intermediates and	Total
31 December 2023	drugs	bulk medicines	RMB'000
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets:	909,622	611,947	1,521,569
<u>Reconciliation:</u>			
Corporate and other unallocated assets			<u>2,101,090</u>
Total assets			<u>3,622,659</u>
Segment liabilities:	244,627	193,329	437,956
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			<u>325,469</u>
Total liabilities			<u>763,425</u>
As at	Finished	Intermediates and	Total
31 December 2022	drugs	bulk medicines	RMB'000
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets:	996,973	1,222,758	2,219,731
<u>Reconciliation:</u>			
Assets held for sale	-	2,578	2,578
Corporate and other unallocated assets			<u>1,450,334</u>
Total assets			<u>3,672,643</u>
Segment liabilities:	291,842	376,957	668,799
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			<u>353,977</u>
Total liabilities			<u>1,022,776</u>

3. OPERATING SEGMENT INFORMATION (continued)

Year ended	Finished	Intermediates		Total
		drugs	and bulk medicines	
31 December 2023				
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other segment information				
Share of losses of an associate	-	-	(40,933)	(40,933)
Impairment losses recognised in the statement of profit or loss	385	11,237	-	11,622
Depreciation and amortisation	54,125	29,768	-	83,893
Capital expenditure	59,735	32,748	-	92,483

Year ended	Finished	Intermediates		Total
		drugs	and bulk medicines	
31 December 2022				
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other segment information				
Share of losses of an associate	-	-	(61,905)	(61,905)
Impairment losses recognised in the statement of profit or loss	4,662	1,870	-	6,532
Depreciation and amortisation	51,994	14,416	-	66,410
Investments in an associate	-	-	25,345	25,345
Capital expenditure	136,729	94,540	-	231,269
Assets held for sale	-	2,578	-	2,578

Geographical information

(a) Revenue from external customers

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Chinese Mainland	1,134,418	1,218,740
Other countries	16,727	58,942
Total revenue	<u>1,151,145</u>	<u>1,277,682</u>

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

3. OPERATING SEGMENT INFORMATION (continued)

(b) Non-current assets

The Group's operations are substantially based in Chinese Mainland and 93% of the non-current assets, excluding deferred tax assets and an investment in an associate, of the Group are located in Chinese Mainland. 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:

	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers	<u>1,151,145</u>	<u>1,277,682</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

<u>Segments</u>	Finished drugs RMB'000	Intermediates and bulk medicines RMB'000	Total RMB'000
Types of goods or services			
Sale of pharmaceutical products	1,020,090	129,419	1,149,509
Rendering of pilot test services	1,636	-	1,636
Total	<u>1,021,726</u>	<u>129,419</u>	<u>1,151,145</u>
Geographical markets			
Chinese Mainland	1,016,460	117,958	1,134,418
Other countries	5,266	11,461	16,727
Total	<u>1,021,726</u>	<u>129,419</u>	<u>1,151,145</u>
Timing of revenue recognition			
Goods transferred at a point in time	1,020,090	129,419	1,149,509
Services transferred over time	1,636	-	1,636
Total	<u>1,021,726</u>	<u>129,419</u>	<u>1,151,145</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 2022

<u>Segments</u>	Finished drugs <i>RMB'000</i>	Intermediates and bulk medicines <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services			
Sale of pharmaceutical products	1,136,219	140,286	1,276,505
Rendering of pilot test services	1,022	155	1,177
Total	<u>1,137,241</u>	<u>140,441</u>	<u>1,277,682</u>
Geographical markets			
Chinese Mainland	1,133,680	85,060	1,218,740
Other countries	3,561	55,381	58,942
Total	<u>1,137,241</u>	<u>140,441</u>	<u>1,277,682</u>
Timing of revenue recognition			
Goods transferred at a point in time	1,136,219	140,286	1,276,505
Services transferred over time	1,022	155	1,177
Total	<u>1,137,241</u>	<u>140,441</u>	<u>1,277,682</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of pharmaceutical products	<u>29,658</u>	<u>14,451</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<u>17,896</u>	<u>29,658</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.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<u>Other income</u>		
Bank interest income	22,086	17,658
Government grants	11,729	18,753
Loan interest income	3,841	1,717
Dividend income from financial assets at fair value through profit or loss	627	477
Rental income	229	213
Others	1,448	904
Total other income	<u>39,960</u>	<u>39,722</u>
<u>Gains</u>		
Government relocation compensation	139,833	-
Fair value gain on financial assets at fair value through profit or loss, net	5,677	7,204
Gain on sales of scrapped materials	301	344
Gain on disposal of assets held for sale	-	39,670
Gain on termination of a lease	-	8
Total gains	<u>145,811</u>	<u>47,226</u>
Total other income and gains	<u>185,771</u>	<u>86,948</u>

5. OTHER EXPENSES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Provision of inventories	10,936	4,097
Foreign exchange losses, net	5,526	4,537
Write-off of obsolete stocks	2,104	2,776
Impairment of trade receivables	686	2,435
Donations	273	199
Loss on disposal of items of property, plant and equipment	255	830
Others	468	672
Total	<u>20,248</u>	<u>15,546</u>

6. FINANCE COSTS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	594	-
Interest on discounted notes receivable	351	296
Interest on lease liabilities	44	75
Total	<u>989</u>	<u>371</u>

7. PROFIT BEFORE TAX

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales*	509,626	504,131
Depreciation of property, plant and equipment	61,260	49,686
Depreciation of investment properties	43	-
Depreciation of right-of-use assets**	3,409	3,435
Research and development costs:		
Amortisation of intangible assets***	6,197	4,679
Current year expenditure	<u>84,611</u>	<u>74,799</u>
 Total	 <u>90,808</u>	 <u>79,478</u>
 Lease payments not included in the measurement of lease liabilities	 <u>2,428</u>	 <u>2,040</u>
 Auditors' remuneration:		
Statutory audit service	<u>2,260</u>	<u>2,200</u>
 Employee benefit expense (including directors' and chief executive officer's remuneration):		
Wages and salaries	167,835	149,384
Equity-settled share option expense	(1,019)	(4,910)
Retirement benefits	12,498	10,542
Accommodation benefits	7,266	5,969
Other benefits	<u>25,200</u>	<u>22,645</u>
 Total	 <u>211,780</u>	 <u>183,630</u>
 Foreign exchange differences, net	5,526	4,537
Provision of inventories	10,936	4,097
Impairment of trade receivables	686	2,435
Fair value gain on financial assets at fair value through profit or loss, net	(5,677)	(7,204)
Bank interest income	(22,086)	(17,658)
Gain on disposal of assets held for sale	-	(39,670)
Government relocation compensation	(139,833)	-
Loss on disposal of items of property, plant and equipment	<u>255</u>	<u>830</u>

* The depreciation of RMB42,526,000 for the year (2022: RMB34,073,000) is included in "manufacturing costs".

** 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 RMB6,197,000 (2022: RMB4,679,000) for the year is included in "Research and development costs" 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 2023 and 2022 are:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
Charge for the year	98,895	60,287
Overprovision in prior years	205	277
Deferred income tax	<u>(7,710)</u>	<u>21,993</u>
Total tax charge for the year	<u>91,390</u>	<u>82,557</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. The qualification was renewed with extension period of 20 years from 19 September 2023. 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% (2022: 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 (2022: Nil).

According to the PRC Enterprise Income Tax Law effective from 1 January 2008, the Chinese Mainland 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. The qualification was renewed in 2023 and Suzhou Dawnrays Pharmaceutical was entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years through 2023 to 2025 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 has been entitled to a concessionary rate of income tax at 15% for three years commencing on 1 January 2019. The qualification was renewed in 2022 and Fujian Dawnrays was entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years through 2022 to 2025 and would apply for renewal of the qualification every three years.

All other subsidiaries in Chinese Mainland were subject to corporate income tax at a rate of 25% in 2023.

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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>414,057</u>	<u>438,408</u>
At the PRC's statutory rate	103,514	109,602
Tax effect of profits entitled to tax concession or lower tax rate enacted by local authority	(47,301)	(41,305)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	22,946	20,286
Adjustments in respect of current income tax of previous periods	205	277
Expenses not deductible for tax	6,615	12,963
Tax credit for qualified research and development costs	(11,233)	(10,591)
Tax credit for qualified equipment expenditure for HNTE	-	(7,982)
Tax losses not recognised	17,486	7,960
Tax losses utilised from previous periods	<u>(842)</u>	<u>(8,653)</u>
Tax charge at the Group's effective rate	<u>91,390</u>	<u>82,557</u>

9. DIVIDENDS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interim – HK\$0.015 (2022: HK\$0.015) per ordinary share	21,038	20,173
Proposed final – HK\$0.065 (2022: HK\$0.073) per ordinary share	<u>89,670</u>	<u>95,975</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 1,499,620,000 shares (2022: 1,498,551,000 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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent	<u>326,000</u>	<u>358,057</u>
	<u>Number of shares</u>	
	2023	2022
	Thousands	Thousands
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,499,620	1,498,551
Effect of dilution – weighted average number of ordinary shares: Share options	<u>2,982</u>	<u>3,759</u>
Total	<u>1,502,602</u>	<u>1,502,310</u>

11. TRADE AND NOTES RECEIVABLES

	Notes	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	(i)	155,967	211,724
Notes receivable	(ii)	<u>169,611</u>	<u>194,022</u>
		325,578	405,746
Impairment		<u>(3,582)</u>	<u>(2,896)</u>
Net carrying amount		<u>321,996</u>	<u>402,850</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:

	2023	2022
	<i>RMB '000</i>	<i>RMB '000</i>
Trade receivables		
Outstanding balances with ages:		
Within 90 days	125,049	192,630
Between 91 and 180 days	18,180	10,075
Between 181 and 270 days	5,801	3,250
Between 271 and 360 days	2,531	1,741
Over one year	824	1,132
Total	<u>152,385</u>	<u>208,828</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023	2022
	<i>RMB '000</i>	<i>RMB '000</i>
At beginning of year	2,896	461
Impairment losses	<u>686</u>	<u>2,435</u>
At end of year	<u>3,582</u>	<u>2,896</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:

11. TRADE AND NOTES RECEIVABLES (continued)

Notes: (continued)

(i) (continued)

	2023	2022
Expected credit loss rate	2.30%	1.37%
Gross carrying amount (RMB'000)	155,967	211,724
Impairment (RMB'000)	3,582	2,896

- (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.

Financial assets that are not derecognized in their entirety

As at 31 December 2023, the Group endorsed certain notes receivable accepted by banks in the PRC (the “Endorsed Notes”) with a carrying amount of RMB54,556,000 (2022: RMB69,974,000) 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 RMB33,426,000 (2022: RMB44,570,000) and RMB21,130,000 (2022: RMB25,404,000) as at 31 December 2023, respectively.

Financial assets that are derecognized in their entirety

As at 31 December 2023, the Group discounted certain notes receivable accepted by banks in the PRC (the “Discounted Notes”) with a carrying amount of RMB15,060,000 (2022: RMB6,434,000). 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 RMB15,060,000 as at 31 December 2023.

As at 31 December 2023, the Group discounted certain note receivable accepted by banks in the PRC (the “Derecognized Notes”) with a carrying amount of RMB62,434,000 (2022: RMB63,126,000). 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Outstanding balances with ages:		
Within 90 days	98,076	169,248
Between 91 and 180 days	63,110	54,128
Between 181 and 270 days	459	571
Between 271 and 360 days	357	83
Over one year	<u>159</u>	<u>43</u>
 Total	 <u>162,161</u>	 <u>224,073</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. During the year ended 31 December, the aggregate carrying amount of the trade payables settled by the Endorsed Notes to which the suppliers have recourse was RMB33,426,000.

CHAIRMAN'S STATEMENT

GROUP RESULTS

For the year ended 31 December 2023, the Group recorded revenue of approximately RMB1,151,145,000 (2022: RMB1,277,682,000), representing a decrease of 9.9% as compared with 2022. Profit attributable to owners of the parent was approximately RMB326,000,000 (2022: RMB358,057,000), representing a decrease of 9.0% as compared with 2022.

Profit attributable to owners of the parent included a net gain of RMB118,858,000 on the disposal of the assets arising from the relocation Group's factory on Tianling Road, a loss of RMB40,933,000 on the investment in AD Pharmaceuticals Co., Ltd., an associated company (2022: RMB61,905,000), and a non-recurring item, which is the exchange loss of RMB1,879,000 from the liquidation of Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. ("Dawnrays Nantong"). If the above factors are excluded, the operating profit would be RMB 249,954,000 (2022: RMB 380,292,000), representing a decrease of 34.3% as compared with 2022. This was mainly attributable to the impact on the decrease in sales revenue and the rise in production costs resulting from project relocation and loss of bids for centralized procurement products, as well as the increase in administrative expenses and research and development costs due to the newly established research institute and Lanzhou Dawnrays.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.065 per share for the year ended 31 December 2023 (2022: HK\$0.073), totaling approximately HK\$97,516,000 (2022: approximately HK\$109,412,000) (equivalent to approximately RMB89,670,000 (2022: approximately RMB95,975,000)), to the shareholders whose names appeared in the register of members on Friday, 31 May 2024 subject to the approval of the shareholders at the forthcoming 2024 Annual General Meeting (the "2024 AGM").

The dividend for the year will be HK\$0.08 per share, comprising the proposed final dividend of HK\$0.065 per share and the interim dividend of HK\$0.015 per share paid on 5 October 2023. The annual dividend payout ratio was approximately 34.0%, representing a year-on-year increase of 1.6 percentage points.

BUSINESS REVIEW

In 2023, the external economic adversity continued to impact the business environment. The world entered a cycle of interest rate hikes, with the US dollar appreciating and geopolitical situations remaining unclear. The prices of raw materials and logistics costs continued to rise, affecting production costs. The economy in China began to gradually recover from the impact of the pandemic. The National 14th Five-Year Plan for Pharmaceutical Development drove the optimization, integration, and high-quality development of the pharmaceutical industry, promoting enterprises to become more high-end, intelligent, green, and international. Pharmaceutical companies with integrated advantages in research, production, and marketing continue to benefit from the industry's consolidation and upgrade, and continue to grow and develop. Dawnrays Pharmaceutical is accelerating its pace in research and development, production, and sales to adapt to and align with the national development planning.

During the reporting period, in terms of production, the factory on Shanfeng Road ("Shanfeng Road Factory") of the Company's indirect wholly-owned subsidiary Suzhou Dawnrays Pharmaceutical Co., Ltd. ("Suzhou Dawnrays Pharmaceutical") and Lanzhou Dawnrays Pharmaceutical Co., Ltd. ("Lanzhou Dawnrays ") have completed their construction and entered the trial production and verification stages. However, the relocation and cessation of production of the factory on Tianling Road of Suzhou Dawnrays Pharmaceutical have affected the supply, leading to a decline in the sales of bulk medicines and intermediates. Despite these challenges, the Group is still optimistic about the prospects of intermediates and bulk medicines. Policies such as the over-10-year restriction on antibiotics, continued upgraded environmental requirements and consistency evaluations have led to the phase-out of numerous pharmaceutical companies that lack of comprehensive strength, reducing supply and consequently driving a continuous rise in the price of antibiotic bulk medicines. As the production workshops of Sulbactam Sodium and Cefoperazone Sodium at Shanfeng Road passed the GMP compliance inspection and were officially put into operation on 13 March 2024, the production and supply of intermediates and bulk medicines will be increased. Currently, Lanzhou Dawnrays and the Shanfeng Road Factory are actively engaged in preparing recordation documents for bulk medicines for customers and in overseas registration, thereby accelerating the development of export business and moving towards internationalization. At the same time, the factories provide a pilot workshop for the Group's research and development projects to more effectively manage research and development progress. During 2023, the factory on Minfeng Road underwent renovations to add different dosage forms, including bottling lines and external preparation production lines, in preparation for new research and development projects or CMO projects.

In terms of sales, the products that won the bid in the first batch of national centralized procurement of drugs, including Amlodipine Besylate Tablets, Atorvastatin Calcium Tablets, and Entecavir Dispersible Tablets, were subsequently opened up for re-bidding among multiple companies after their contracts expired. The intense competition led to the loss of some market share in the provinces where they originally won the bids, resulting in a decline in sales volume. To mitigate the loss in sales, the Group actively participated in re-bidding processes across various locations to capture market share outside of the original bid-winning areas. As a result, although the sales revenue for Entecavir Dispersible Tablets saw a slight decline compared to the same period in 2022, the total sales volume increased compared to the same period in 2022. The decrease in sales volume of Atorvastatin Calcium Tablets was less than expected. The re-bidding of centralized procurement in other regions also provided new growth opportunities for Febuxostat Tablets and Rosuvastatin Tablets, which had missed the first round of centralized procurement. By introducing a wider range of packaging specifications and continuously broadening retail distribution channels, the Febuxostat Tablets which were not included in the centralized procurement have also experienced increased sales. The Group's product, Cefoperazone Sodium and Sulbactam Sodium for Injection (1:1), successfully won the bid in the eighth batch of national centralized procurement of drugs, allowing the once-neglected antibiotic to re-enter public hospitals. Azithromycin for Suspension, which has seen increased demand due to the peak flu season, also successfully won the bid in the ninth batch of national centralized procurement of drugs. It is expected to bring significant growth over the next four years. Moreover, the sales channels for Azithromycin for Suspension are not limited to hospitals. It is anticipated that winning the bid in centralized procurement will also boost retail business beyond the scope of centralized procurement. Levamlodipine Besylate Tablets under the "An (安)" Series did not make it into centralized procurement, while Losartan Potassium & Hydrochlorothiazide Tablets being carried out first centralized procurement, despite winning the bid by Dawnrays Pharmaceutical, its market share was divided among other competitors, resulting in a significant drop in sales volume compared to the same period last year. Additionally, the sales volume for Amlodipine Besylate Tablets, which had won in the first batch of centralized procurement, declined due to the expiration of the procurement contract, compared to the same period last year. Therefore, the sales revenue for the "An (安)" Series saw a decrease of 22.8% compared to the same period in 2022. Beyond hospital services, the Group's marketing team has proactively expanded the product retail business outside centralized procurement. By leveraging our presence in areas where we previously won centralized procurement bids, we are stimulating growth in the secondary and tertiary end markets. We are actively establishing sales channels in the retail market and continuously expanding cooperation with chain pharmacies, aiming to increase the coverage of our retail business. The proportion of our retail endpoints continues to grow. In addition to the centralized procurement model, the Group's Metformin Hydrochloride Extended-release Tablets III, which have been included in the National Reimbursement Drug List,

officially hit the market in March 2023. They quickly entered medical institutions of all levels to drive sales growth. Within 9 months of launching, they have covered over 1,000 medical institutions and are listed in 24 provinces.

Regarding research and development, to integrate the R&D teams of the Company's indirectly wholly-owned subsidiaries Fujian Dawnrays Pharmaceutical Co., Ltd. ("Fujian Dawnrays"), Suzhou Dawnrays Pharmaceutical, Lanzhou Dawnrays, and the indirectly non-wholly-owned subsidiary Nanjing PharmaRays Science and Technology Co., Ltd. ("Nanjing PharmaRays"), and to optimize R&D resources, the Suzhou Dawnrays Advanced Technology Research Institute* (蘇州東瑞先進技術研究院) ("Research Institute") was established, with its unveiling ceremony taking place in April 2023. The first Dawnrays Pharma Drug R&D and Results Transformation Innovation Taihu Forum* (東瑞製葯藥物研發與成果轉化創新太湖論壇) was held. The event attracted experts and scholars from the pharmaceutical industry to gather at Suzhou Dawnrays Pharmaceutical, marking the first step for the Group in creating a new drug R&D and information sharing center. Since the establishment of the Research Institute, a group of talented individuals has been recruited. All new projects do not require outsourced research and development. Currently, 59% of R&D projects are self-developed, with the focus remaining on generic drugs. The main focus is on developing the first or top three generics drugs and improved innovative drugs to enrich Dawnray's product line. In addition, potential antibiotic bulk medicines are being screened for consistency evaluation studies to prepare for the next round of Centralized Procurement.

During the reporting period, the national medical products Administration of China has accepted the New Drug Application for monoclonal antibody agent ebronucimab (PCSK9 monoclonal antibody) (AK102) on 30 June 2023, which is developed by AD Pharmaceuticals Co., Ltd. ("AD Pharmaceuticals"), a joint venture enterprise established by the Group. Phase II clinical work was carried out for clinical trials for Class I new drug registration of Pulocimab (AK109). On 8 February 2024, the Company's wholly-owned subsidiary, Dawnrays Biotechnology Capital (Asia) Limited entered into a share transfer agreement with Akeso Biopharma Co., Ltd. ("Akeso Biopharma"), pursuant to which 35% equity interest in AD Pharmaceuticals was transferred to Akeso Biopharma. For details, please refer to the announcement published by the Company on the website of the Stock Exchange on 9 February 2024.

OUTLOOK

Looking ahead, healthcare reform will continue to progress towards the Healthy China 2030 initiative, taking multiple measures and constantly updating them. Among them, the price of quality-assured drugs drop and the operation model and regulations of the pharmaceutical market will be reshaped to achieve an increasingly parallel supply and price, and reasonably reduce public medical expenditure. As more varieties of drugs will enter the national centralized procurement System, the centralized procurement business model is the most important model for sales of generic drugs in hospitals. The retail prices of products will gradually converge with centralized procurement prices, prompting enterprises to seek more transparent and cost-effective sales strategies and marketing channels. In terms of environmental protection, the central government will also formulate more regulations aimed at achieving the carbon peak by 2030 and carbon neutrality by 2060. Enterprises will need to invest more resources in production facilities to comply with these environmental regulations, which will increase the pressure on production costs.

The Group will continue, as always, to face the future actively and optimistically. With Dawnray's good corporate governance and pragmatic operations, we will keep recruiting excellent talent to bring new ideas and energy to the Company, increase investment in R&D, and renovate workshop facilities to expedite the introduction of new products to the market. At the same time, we will conduct lean production under the principle of prioritizing product quality, aiming to improve production capacity and control production costs, thereby enhancing the market competitiveness and operational efficiency of Dawnray's products. We will closely monitor market developments, flexibly adjust marketing strategies, deeply explore the end market to expand the coverage of our products, and actively develop overseas markets. With Dawnray's solid financial strength, the Group will be able to maintain stable business growth and create reasonable investment returns for the Company's shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the reporting period, the economy of China recovered and the pharmaceutical market was stable with movement in a positive direction. In the eighth and ninth batches of national tender process for centralized procurement, three products of Suzhou Dawnrays Pharmaceutical, namely "Xianshu" (Cefoperazone Sodium and Sulbactam Sodium for Injection: 1: 1), "Lemidi" (Losartan Potassium and Hydrochlorothiazide Tablets) and "Peidi" (Azithromycin for Suspension) won the bids. During the reporting period, Suzhou Dawnrays Pharmaceutical, successfully completed the move out of the factory area on Tianling Road, and the "Suzhou Dawnrays Advanced Technology Research Institute"

was formally established. The verification work of the factory area at Shanfeng Road of Suzhou Dawnrays Pharmaceutical was carried out smoothly, and the overseas registration of Lanzhou Dawnrays was progressing steadily. However, affected by the relocation of the factories of bulk medicines and intermediates and the centralized procurement of “Anneixi” (Losartan Potassium and Hydrochlorothiazide Tablets) and “Anmeiping” (Levamlodipine Besylate Tablets), the overall sales of the Group in 2023 was decreased by 9.9% as compared with the same period of the previous year. Of which, the sales volume and amount of anti-hypertensive drugs in “An” (安) series products decreased by 28.1% and 22.8% respectively, as compared with the same period of 2022; the sales volume and amount of Fujian Dawnrays series products which are mainly used for treating hyperlipidemia decreased by 3.7% and 5.9% respectively, as compared with the same period of 2022; the sales volume and amount of anti-allergic drugs “Xikewei” (西可韋) and “Xikexin” (西可新) decreased by 16.1% and 22.6% respectively, as compared with the same period of 2022; the sales volume and amount of Entecavir Dispersible Tablets, an anti-HBV drug respectively increased by 3.2% and decreased by 6.2% as compared with the same period of 2022.

Among the antibiotic series products, as “Xianshu” (Cefoperazone Sodium and Sulbactam Sodium for Injection: 1: 1) won the bid in the national centralized procurement, the sales volume of powder for injection increased by 121.7% and the sales amount increased by 143.4% as compared with the same period of 2022; cephalosporin for oral was affected by production capacity, with sales volume decreased by 18.4% and sales amount decreased by 12.2% as compared with the same period of 2022; The sales volume of cephalosporin intermediates and bulk medicines decreased by 6.5% and the sales volume decreased by 7.8% as compared with the same period of 2022.

During the year, the Group faced with the situation of multiple winning bids for the centralized procurement in alliance member regions. In response to the rapid changes in the market, the marketing management people 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, promoted the continuous development of the second and third end markets through the bid-winning of centralized procurement, continuously expanded the depth of cooperation with chain pharmacies, explored new business models such as pharmaceutical e-commerce, drove the Group’s profitability in multiple rounds, and strove to achieve reasonable growth in the sales of its drugs in 2024, 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. The sales of the series of products were RMB424,186,000 in 2023 (2022: RMB549,229,000), accounting for 36.8% 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, improve product diversity, 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 year, with the national centralized procurement and centralized procurement in alliance member regions, there was a substantial increase in the retail markets of sales of Fujian Dawnrays's Atorvastatin Calcium Tablets. The sales of the anti-hyperlipidemic products were RMB292,331,000 (2022: RMB310,502,000), accounting for 25.4% 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. With the "unique cyclodextrin inclusion technology", Entecavir Dispersible Tablets of the Group have a good reputation among doctors and patients. During the year, the sales of the products in China were RMB124,828,000 (2022: RMB133,005,000), accounting for 10.8% 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.

POWDER FOR INJECTION

After years of sluggish adjustment, the antibiotic injection has shown a steady recovery in recent years. During the year, the "Xianshu" (Cefoperazone Sodium and Sulbactam Sodium for Injection 1:1) won the bid for the eighth batch of national centralized procurement, and the volume increased. With the continuous passing of the consistency evaluation of other powder injections, it will bring new profit growth points to the Group in the future.

INTERMEDIATES AND BULK MEDICINES

During the year, the bulk medicines production base of Lanzhou Dawnrays was completed and put into operation. The relocation project of Suzhou Dawnrays Pharmaceutical Co., Ltd. has been completed, and the new production workshops for cefoperazone sodium and sulbactam sodium have successfully completed the GMP certification and acceptance of bulk medicines in December 2023 and obtained notification of passing GMP compliance inspection on 13 March 2024. The Group was actively carried out the Related review and filing for bulk medicines and overseas registration declaration work for intermediates to further increase the market share, thus laying a solid foundation for the future sales of bulk medicines and intermediates.

PRODUCT RESEARCH AND DEVELOPMENT

The Group formally established the Suzhou Dawnrays Advanced Technology Research Institute in April 2023 to coordinate with and manage the technical R&D teams of the subsidiaries of Dawnrays Group, integrate the technical forces in the R&D of generic drugs and new drugs, and improve the Group's R&D level. Meanwhile, the Research Institute will become a cooperation platform for the Group to introduce new drug research and development. Through years of continuous investment in research and development, the Group maintains the launch of new products every year, adding new momentum to the Group's future development.

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 continuously invest more resources in the research and innovation of production technology and products, for developing generics of the system specific medicines, exploring Class 3 drugs and some innovative drugs and seeking various scientific research cooperation opportunities to optimize product structure and profit base.

CONSISTENCY EVALUATION

As of 31 December 2023, according to statistics by product specification, the Group conducted quality and efficacy research on 32 varieties, the applications for 20 varieties (namely 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), Telmisartan Tablets (40mg), Telmisartan Tablets (80mg), Cefprozil Tablets (250mg), Cefoperazone Sodium and Sulbactam Sodium for Injection (1.0g), Cefoperazone Sodium for Injection (1.0g),

Azithromycin for Suspension (0.1g), Losartan Potassium and Hydrochlorothiazide Tablets (50mg/12.5mg), Ceftriaxone Sodium for Injection (1.0g), Cefmetazole Sodium for Injection (0.5g), Cefmetazole Sodium for Injection (1.0g), Cefoperazone Sodium and Sulbactam Sodium for Injection (2:1) (1.5g)) and Cefoperazone Sodium and Sulbactam Sodium for Injection (2:1)(3.0g) were approved. The applications for consistency evaluation for 11 varieties have been submitted to the Center for Drug Evaluation, NMPA. Moreover, pharmaceutical research into 1 of such varieties is ongoing.

OTHER MATTERS

During the year, the Group continued improving production, safety, product quality, human resources, compliance management, information, 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 2023, there was a decrease of 2.2% in the production volume and 6.5% in the sales volume of intermediates and bulk medicines of the Group, as compared with 2022. There was an increase of 131.1% in the production volume and an increase of 121.7% in the sales volume of cephalosporin powder for injection, as compared with last year. The decreases in the production and sales volume of intermediates and bulk medicines were mainly due to the impact of relocation of Dawnrays Nantong and the factory of Suzhou Dawnrays Pharmaceutical on Tianling Road, while the increase in the sales volume of powder for injection was due to the winning bid of "Xianshu" in the eighth batch of national centralized procurement. There was a decrease of 11.2% in the production volume and a decrease of 11.8% 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 impact of relocation of Dawnrays Nantong and the factory of Suzhou Dawnrays Pharmaceutical on Tianling Road. The sales of overseas markets accounted for 1.5% of the total sales of the Group.

NEW PRODUCTS AND PATENT LICENSING

In 2023, the Group applied to the Center for Drug Evaluation, CFDA for the registration of a total of 14 varieties, including 11 supplementary applications (consistency evaluation) applications and 3 supplementary applications (additional specifications) applications. In 2023, the Company obtained 17 drug approvals, including 6 approvals for marketing approval of Class 4 chemical drugs, 2 approvals for APIs, 7 approvals for supplementary applications and 2 recordation documents.

In 2023, the Group obtained a total of 5 national patent certificates (including 1 invention patent, 3 utility model patents and 1 appearance design patent):

- 1) “A preparation method for a high-purity Cefmetazole Inner ester”, patent number: ZL202111626415.6
- 2) “Dry granulator”, patent number: ZL202321427796.X
- 3) “An intelligent high-speed box packing machine”, patent number: ZL202321642638. 6
- 4) “A multifunctional high-speed bottle sorting machine”, patent number: ZL202321540411. 0
- 5) “Inner-cap (medicine bottle) ”, patent number: ZL20230101390. 1

HONORS AWARDED TO THE GROUP IN 2023

Time of Awards	Honors
April 2023	Fujian Dawnrays Pharmaceutical Co., Ltd. was awarded the “High and New Technology Enterprise” certificate by the Department of Science and Technology of Fujian Province; Fujian Dawnrays Pharmaceutical Co., Ltd. was awarded the title of “Health Enterprise” by Healthy Licheng Construction Leading Group of Licheng District in Putian.
September 2023	Lanzhou Dawnrays Pharmaceutical Co., Ltd. was awarded the “ISO Quality Management System Certification” by the National Certification and Accreditation Supervision Committee
October 2023	Fujian Dawnrays Pharmaceutical Co., Ltd. was awarded the title of “Advanced Collective for the Development of Key Industries in Putian” by the Putian Municipal People’s Government.
November 2023	Suzhou Dawnrays Pharmaceutical Co., Ltd. obtained the certificate of “High-tech Enterprise” issued by the Jiangsu Provincial Department of Science and Technology;
December 2023	Suzhou Dawnrays Pharmaceutical Co., Ltd. has passed the review and certification of "Jiangsu multinational company regional headquarters" and "Suzhou headquarters enterprise". Suzhou Dawnrays Pharmaceutical Co., Ltd. was awarded the qualification of “Specialized, Fine, Unique and Innovative Enterprise in Jiangsu Province” by the Jiangsu Provincial Department of Industry and Information Technology; and was awarded the honorary title of “Contract-abiding and Credit-worthy Enterprise in Jiangsu Province from 2021 to 2022”.
January 2024	Fujian Dawnrays Pharmaceutical Co., Ltd. won the 2023 “Special Award for Enterprises with Outstanding Economic Contribution” issued by the CPC Committee and the District Government of Licheng District. Suzhou Dawnrays Pharmaceutical Co., Ltd. was awarded the “2023 Advanced Unit of Guangcai Business” by Wuzhong District Federation of Industry and Commerce.
February 2024	Fujian Dawnrays Pharmaceutical Co., Ltd. was awarded the “2023 Outstanding Economic Contribution Award” by Putian Municipal Party Committee and Municipal Government (tax payment of RMB 50,000,000 to RMB 100,000,000).

March 2024	<p>Suzhou Dawnrays Pharmaceutical Co., Ltd. was awarded the “Enterprise with Outstanding Contribution to Tax Payment” in 2023 by Suzhou Wuzhong Economic and Technological Development Zone.</p> <p>Suzhou Dawnrays Pharmaceutical Co., Ltd. was awarded the “Excellent Enterprise” certificate for 2023 by Suzhou Wuzhong Economic and Technological Development Zone.</p>
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FINANCIAL REVIEW

SALES AND GROSS PROFIT

For the year ended 31 December 2023, the Group recorded a turnover of approximately RMB1,151,145,000, decreased by RMB126,537,000 or 9.9% compared with last year, of which the turnover of intermediates and bulk medicines was RMB129,419,000, decreased by RMB11,022,000 or 7.8% compared with last year. The turnover of finished drugs was RMB1,021,726,000, decreased by RMB115,515,000 or 10.2% compared with last year. The decrease in the sales of intermediates and bulk medicines was mainly affected by the suspension of production and relocation of factory of Suzhou Dawnrays Pharmaceutical located on Tianling Road. The decrease in the sales of finished drugs was mainly due to the impact of centralized procurement of “Anneixi” (Losartan Potassium and Hydrochlorothiazide Tablets) and “Anmeiping” (Levamlodipine Besylate Tablets) of Suzhou Dawnrays Pharmaceutical.

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 RMB1,021,726,000. Taking into account of the total turnover, sales amount of finished drugs was approximately 88.8%, decreased by 0.2 percentage points compared with last year, of which the sales amount of system specific medicines accounted for 90.8% of sales of finished drugs.

Gross profit was approximately RMB641,519,000, decreased by RMB132,032,000 compared with last year, representing a decrease of 17.1%. Gross profit margin decreased by approximately 4.8 percentage points to 55.7% from 60.5% as in last year. It was mainly due to the decline in the sales of high gross profit product “Anneixi” and the production costs increased with unattainable production capacity of Lanzhou Dawnrays.

TABLE OF TURNOVER ANALYSIS – BY PRODUCT

PRODUCT	TURNOVER			SALES BREAKDOWN		
	(RMB'000)	(RMB'000)	(RMB'000)	(%)	(%)	Percentage
	2023	2022	changes	2023	2022	points changes
Intermediates and Bulk Medicines	129,419	140,441	-11,022	11.2	11.0	0.2
Finished Drugs	1,021,726	1,137,241	-115,515	88.8	89.0	-0.2
Overall	1,151,145	1,277,682	-126,537	100.0	100.0	-

EXPENSES

During the year, the total expenses incurred were approximately RMB372,300,000, representing an increase of RMB12,114,000 from RMB360,186,000 in the previous year, and accounted for 32.3% of the turnover (2022: 28.2%). As COVID-19 in China has been reclassified under “Class-B infectious diseases”, the Group fully resumed all sales and promotion activities and enhanced the development of the secondary and tertiary end markets. The selling expenses increased by RMB4,316,000 as compared with last year, and the selling expense ratio was 12.8%. The administrative expenses decreased by RMB8,852,000 as compared with last year, mainly due to the impact of land amortisation of Suzhou Dawnrays Pharmaceutical and the decrease in environmental protection charges of Dawnrays Nantong. Finance expenses were RMB989,000, representing an increase of RMB618,000 as compared with the previous year. Research and development expenses increased by RMB11,330,000 as compared with the previous year. Other expenses increased by RMB4,702,000 as compared with last year, mainly because of the effect of exchange loss related to the loan provided to AD Pharmaceuticals and the liquidation of Dawnrays Nantong.

SEGMENT PROFIT

For the year ended 31 December 2023, the segment profit from the finished drugs segment was approximately RMB487,277,000, representing a decrease of RMB121,529,000 compared with RMB608,806,000 in 2022, mainly due to decrease in the sales of finished drugs. The intermediates and bulk medicines had segment loss of RMB32,692,000 while it was segment loss of RMB17,775,000 in 2022. The loss was mainly attributable to the low output of Lanzhou Dawnrays resulting in high production costs.

INTERESTS AND RIGHTS IN AN ASSOCIATE

Dawnrays Biotechnology Capital (Asia) Ltd. (“Dawnrays Biotechnology”), a subsidiary of the Group invested a total of RMB185,000,000 for 35% share interest in AD Pharmaceuticals Co., Ltd. (“AD Pharmaceuticals”). During the year, Dawnrays Biotechnology paid a total of RMB66,500,000 to AD Pharmaceuticals in accordance with the shareholder loan agreement signed with AD Pharmaceuticals in October 2022. Together with the loan of RMB 49,000,000 in 2021, the total amount was RMB115,500,000 (“Interest-bearing Shareholder Loan”). Since the Group shared an investment loss of approximately RMB40,933,000 (2022: RMB61,905,000), in proportion to the investment percentage in AD Pharmaceuticals in 2023, the net book value of Investment in an associate and the Loan to an associate as at 31 December 2023 were RMB0 (2022: RMB25,345,000) and RMB106,457,000 (2022: RMB51,825,000) respectively. On 8 February 2024, Dawnrays Biotechnology entered into a share transfer agreement with Akeso Biopharma Co. Ltd. (“Akeso Biopharma”) to sell the 35% share interest of AD Pharmaceuticals to Akeso Biopharma for approximately RMB267,387,000. Dawnrays Biotechnology received the repayment of Interest-bearing Shareholder Loan of RMB115,500,000 plus after-tax interest of approximately RMB6,039,000 on 12 March 2024 according to the share transfer agreement.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2023, profit attributable to owners of the parent amounted to approximately RMB326,000,000 representing a decrease of RMB32,057,000 or 9.0% compared with RMB358,057,000 in last year. During the year, there was a net gain of RMB118,858,000 contributed from disposal of assets resulting from the relocation of factory of Suzhou Dawnrays Pharmaceutical located at Tianling Road (2022: gain from asset disposal of subsidiary RMB39,670,000), share of loss of RMB40,933,000 for the investment in AD Pharmaceuticals (2022: RMB61,905,000) and the exchange loss of RMB1,879,000 due to liquidation of Dawnrays Nantong. Excluding the above factors, the actual operating profit attributable to owners of the parent was RMB249,954,000 (2022: RMB380,292,000), decreased by 34.3% compared with last year.

ANALYSIS ON THE RETURN ON ASSETS

As at 31 December 2023, net assets attributable to owners of the parent were approximately RMB2,854,656,000. 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 11.4% (2022: 13.6%). The current ratio and quick ratio was 2.57 and 2.26 respectively. Turnover days for trade receivables were approximately 57 days. Turnover days for trade receivables including bills receivables were approximately 113 days. Turnover days for inventory were approximately 160 days.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2023, the Group had financial assets at fair value through profit or loss including:

- (i) invested in certain Hong Kong public listed shares amounted approximately RMB10,333,000 (31 December 2022: approximately RMB10,500,000);
- (ii) purchased certain wealth management products (all were structured deposits) of approximately RMB150,000,000 (31 December 2022: RMB170,000,000) of floating interest rate principal-preservation type with annual interest rate from 1.0% to 3.49% from 4 good credit worth banks in China. The expected yield would be approximately RMB538,000 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.

As at 31 December 2023, the above mentioned financial assets at fair value through profit or loss amounted to approximately RMB160,871,000 (31 December 2022: approximately RMB181,357,000), representing approximately 4.4% (31 December 2022: 4.9%) of the total assets of the Group. For the year ended 31 December 2023, the Group recorded net gain of approximately RMB5,677,000 (2022: RMB7,204,000) on the financial assets at fair value through profit or loss.

- (iii) considering business cooperation and financial investment, the Group invested RMB20,000,000 to hold 1,895,735 shares of Waterstone Pharmaceuticals (Wuhan) Co., Ltd. (stock code: 873938), accounting for 1.48% of share interest.

The Board believes that the investment in equity investment 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 2023, the Group had cash and bank balances approximately RMB905,826,000 (as at 31 December 2022: RMB811,682,000). During the year, the net cash inflows from operating activities was approximately RMB338,400,000 (2022: RMB434,266,000). Net cash outflows from investing activities was approximately RMB387,573,000 (2022: net cash outflows RMB175,013,000). Net cash inflows from financing activities was approximately RMB2,070,000 (2022 net cash outflows: RMB92,701,000).

As at 31 December 2023, the Group had aggregate bank facilities of approximately RMB1,270,000,000 (as at 31 December 2022: RMB1,370,000,000). As at 31 December 2023, the Group's interest-bearing bank and other borrowings was RMB120,060,000 (as at 31 December 2022: RMB6,434,000), and the debt ratio (defined as sum of interest-bearing bank borrowings over total assets) of the Group was 3.3% (as at 31 December 2022: 0.18%). The above mentioned bank and other borrowings were short-term loans not more than 1 year and the interest rate were fixed ranging from 1.1% to 3.9%.

As at 31 December 2023, the Group had trade receivables of approximately RMB152,385,000 (as at 31 December 2022: RMB208,828,000), decreased by 27.0% compared to 2022, mainly due to the impact of decrease in sales of bulk medicines and short payment cycle for centralized procurement.

As at 31 December 2023, the inventory balance of the Group was approximately RMB211,107,000 (as at 31 December 2022: RMB241,746,000), representing a decrease of RMB30,639,000 as compared with 2022, mainly due to the decrease in the stocking of bulk medicines and intermediates.

As at 31 December 2023, the Group's contracted but not provided for plant and machinery capital commitments amounted to approximately RMB62,588,000 (as at 31 December 2022: RMB110,318,000), which was mainly related to Suzhou Dawnrays Pharmaceutical relocation construction project and Lanzhou Dawnrays intermediates and bulk medicines production base project.

SUBSTANTIAL INVESTMENT

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. As at 31 December 2023, the registered capital subscribed by the other shareholder amounted to RMB17,500,000, of which RMB17,000,000 was paid.

During the reporting period, the factory of Suzhou Dawnrays Pharmaceutical located at Wuzhong Economic and Technological Development Zone was relocated from Tianling Road to Shanfeng Road of Wusongjiang Chemical Industrial Park in Wuzhong Economic and Technological Development Zone due to 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 2023, Suzhou Dawnrays Pharmaceutical received the relocation compensation of RMB175,595,000 and has completed its move out of Tianling Road factory of Suzhou Dawnrays Pharmaceutical. The planned investment in new factory located at Shanfeng Road was RMB519,799,000. The construction of the solvent recovery workshop was completed and put into operation. Bulk material workshops obtained notification of passing GMP compliance inspection on 13 March 2024. Other production workshops had been completed and were undergoing pre-production verification. During the year, Dawnrays International made a capital contribution of US\$20,000,000 to Suzhou Dawnrays Pharmaceutical.

Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd., a subsidiary of the Group, was deregistered in January 2024.

The registered capital of Lanzhou Dawnrays Pharmaceutical Co., Ltd. the intermediates and bulk medicines production base of the Group, was USD540,344,000. During the year, Suzhou Dawnrays Pharmaceutical invested the registered capital of USD105,000,000. As at 31 December 2023, the accumulated registered capital invested was RMB425,750,365. Lanzhou Dawnrays, with 250 mu land area, its 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 RMB482,050,000. The construction of phase 1 of the project was completed and put into operation.

During the year, 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 2023. After an assessment, the Group believes that there were no indications of impairment on Fujian Dawnrays Goodwill as at 31 December 2023.

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

For the year ended 31 December 2023, the Group recorded an exchange loss of RMB5,526,000 (2022: gain of RMB4,537,000). 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 2023, the Group employed approximately 1,143 (2022: 1,106) employees and the total remuneration was approximately RMB211,780,000 (2022: RMB183,630,000). The total remuneration increased mainly due to staff increase and salary adjustment. The Group regards human resources as the most valuable assets and truly understands the importance of attracting and retaining high-performance employees. The remuneration policy is generally based on the references of market salary index and individual qualifications. The Group provides its employees with other fringe benefits, including defined contribution retirement schemes, share option scheme and medical coverage. The Group also offers some of its employees stationed in the PRC with dormitory accommodation.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities.

CHARGES ON ASSETS

As at 31 December 2023, the Group had not pledged any assets to banks to secure credit facilities granted to its subsidiaries (as at 31 December 2022: Nil).

EVENT AFTER THE REPORTING PERIOD

On 8 February 2024, Dawnrays Biotechnology entered into a share transfer agreement with Akeso Biopharma, Akeso Inc. and AD Pharmaceuticals, pursuant to which Dawnrays Biotechnology sell Akeso Biopharma 35% equity interest in AD Pharmaceuticals at the purchase price of approximately RMB267,387,000 and recover the loan and interest lent to AD Pharmaceutical. Further details of which were set out in the Company's announcement dated 9 February 2024.

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

For the year ended 31 December 2023, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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 2023.

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 2023 annual report.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2023 have been reviewed by the Audit Committee before recommending them to the Board for approval.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group’s financial results for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group’s independent auditors, Ernst & Young (“EY”), to be consistent with the amounts set out in the Group’s consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by EY on this preliminary announcement.

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 Friday, 31 May 2024. The proposed final dividend of HK\$0.065 per share, the payment of which are subject to approval of the shareholders at the 2024 AGM of the Company to be held on Friday, 24 May 2025, are to be payable on Wednesday, 12 June 2024 to shareholders.

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

- (i) from Monday, 20 May 2024 to Friday, 24 May 2024, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2024 AGM. In order to be eligible to attend and vote at the 2024 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, 17 May 2024 with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (ii) from Thursday, 30 May 2024 to Friday, 31 May 2024, 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, 29 May 2024 with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

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

APPRECIATION

The year 2023 marks the 20th anniversary of the listing of the Company on the Hong Kong Stock Exchange. 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 to me and the Group in the past year.

By order of the Board

Li Kei Ling

Chairman

Hong Kong, 22 March 2024

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.