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## **DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED**

**東瑞製藥(控股)有限公司\***

*(Incorporated in Cayman Islands with limited liability)*

**(Hong Kong Stock Code: 2348)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF INTERESTS IN A JOINT VENTURE COMPANY**

#### **THE DISPOSAL**

On 8 February 2024, Dawnrays Biotech entered into the Agreement with Akeso Biopharma, Akeso Inc. and AD Pharmaceuticals pursuant to which Dawnrays Biotech agreed to sell and Akeso Biopharma agreed to purchase Dawnrays Biotech's 35% equity interest in AD Pharmaceuticals at the Purchase Price of RMB 267,387,280.82. The Agreement also requires that AD Pharmaceuticals repay the Loans and interest accrued up to 8 February 2024. Accordingly, Dawnrays Biotech is entitled to receive in aggregate RMB 390,000,000 under the Agreement.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to, amongst others, the announcement and reporting requirements under the Listing Rules.

#### **THE DISPOSAL**

AD Pharmaceuticals is a joint venture company established pursuant to the JV Agreement dated 14 December 2016 between Dawnrays Biotech and Akeso Biopharma and is owned as to 65% and 35% by Akeso Biopharma and Dawnrays Biotech respectively. Subsequent to the formation of the joint venture, the Group also advanced the Loans to AD Pharmaceutical. Further information regarding the formation of joint venture and the Loans are set out in the Company's announcements dated 14 December 2016, 16 March 2017, 24 June 2020, 2 February 2021 and 24 October 2022.

On 8 February 2024, Dawnrays Biotech entered into the Agreement with Akeso Biopharma, Akeso Inc. and AD Pharmaceuticals pursuant to which Dawnrays Biotech agreed to sell and Akeso Biopharma agreed to purchase Dawnrays Biotech's 35% equity interest in AD Pharmaceuticals at the Purchase Price of RMB 267,387,280.82. AD Pharmaceuticals also agreed to repay the Loans and interest accrued up to 8 February 2024. In aggregate, the sum of the Purchase Price, and the outstanding principals of the Loans and the interests payable by AD Pharmaceuticals to Dawnrays Biotech, is RMB 390,000,000.

The principal terms of the Agreement are as follows:

**Date:** 8 February 2024

**Parties:**

- (1) Dawnrays Biotech (as seller)
- (2) the Company (as guarantor of Dawnrays Biotech's obligation to transfer its equity interest in AD Pharmaceuticals)
- (3) Akeso Biopharma (as purchaser)
- (4) Akeso Inc. (as guarantor of Akeso Biopharma's payment obligations)
- (5) AD Pharmaceuticals (as the target company)

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Akeso Biopharma and its ultimate beneficial owner, Akeso, Inc., the shares of which are listed on the Stock Exchange (Stock Code: 9926), are third parties independent of the Company and its connected persons. AD Pharmaceuticals is owned as to 65% by Akeso Biopharma and 35% by the Group.

**Purchase Price:** Akeso Biopharma is to pay the Purchase Price of RMB 267,387,280.82 to Dawnrays Biotech for its 35% equity interest in AD Pharmaceuticals. Such payment obligation is being guaranteed by Akeso Inc.

The Purchase Price is to be paid within 120 days after the expiry of the 40 working days period from the date of the Agreement, within which AD Pharmaceuticals is required (with the assistance of Dawnrays Biotech and Akeso Biopharma) to complete the relevant filings to the relevant PRC authorities for registering the change of its shareholders, directors and constitutional documents, following repayment of the Loans and related interest as described in "The Loan" below. Dawnrays Biotech's obligation to assist AD Pharmaceuticals to transfer its 35% equity interest in AD Pharmaceuticals is guaranteed by the Company.

The Purchase Price and the payment terms was determined after arm's length negotiations. In agreeing those terms, Dawnrays Biotech has taken into account the Group's investment in AD Pharmaceuticals, the carrying value of that investment in the accounts of the Group, the fact that it will take further time and investment before the two new drugs under development by AD Pharmaceuticals can be ready for market, the tax that Dawnrays Biotech has to bear as a result of the transfer of its 35% equity interest in AD Pharmaceuticals, and the published financial position of Akeso Inc. as guarantor.

**The Loans:**

AD Pharmaceuticals has agreed to pay Dawnrays Biotech within 20 working days from the date of the Agreement a sum of RMB 122,612,719.18, comprising the outstanding principal of the Loans as at 8 February 2024 of RMB 49,000,000 under the 2021 Loan Agreement and RMB 66,500,000 under the 2022 Loan Agreement and accrued and unpaid interest thereon up to the date of the Agreement.

If AD Pharmaceuticals fails to pay within the period specified above, Akeso Biopharma has agreed to bear unlimited joint and several liability to pay the same to Dawnrays Biotech on its written demand.

**Termination rights:**

Dawnrays Biotech has the right to terminate the Agreement if Akeso Biopharma fails to pay any sum payable by it under the Agreement for more than 30 days after a 15 days grace period which Akeso Biopharma may obtain by written notice to Dawnrays Biotech. Akeso Biopharma has the right to terminate the Agreement if the transfer of its 35% equity interest in AD Pharmaceuticals was delayed without reasons by Dawnrays Biotech and Dawnrays Biotech fails to cooperate for more than 45 days upon written demand by Akeso Biopharma to do so.

Each party also has the right to terminate the Agreement if any other party is in breach of its obligations and has failed to rectify within 45 days (or a period otherwise agreed by the parties) upon receiving a written notice to rectify its breach.

**Termination of the JV Agreement:**

The JV Agreement shall be terminated after the registration of Akeso Biopharma as the sole shareholder of AD Pharmaceuticals by the relevant PRC authorities.

## INFORMATION ON THE PARTIES TO THE AGREEMENT AND REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activity of the Company is investment holding, and the Group is principally engaged in the development, manufacture and sale of non-patented pharmaceutical medicines including intermediate pharmaceutical, bulk medicines and finished drugs.

Dawnrays Biotech is a wholly-owned subsidiary of the Company, principally engaged in the investment and development of biotech projects, mainly targeting oncology and cardiovascular diseases.

Akeso Biopharma is a company incorporated in the PRC and is a wholly-owned subsidiary of Akeso, Inc., a company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange (Stock Code: 9926). Akeso, Inc. is a biopharmaceutical company committed to the research, development, manufacturing and commercialization of innovative antibody drugs, and Akeso Biopharma is principally engaged in product research and development, technology transfer and provision of consulting service.

AD Pharmaceuticals is primarily engaged in the development of (a) Ebronucimab injection (anti-PCSK9 monoclonal antibody (AK102)), to be used for treatment of two indications (namely (i) primary hypercholesterolemia and mixed hyperlipidemia, and (ii) heterozygous familial hypercholesterolemia), which had completed phase III clinical trial and the new drug application was accepted by the National Medical Products Administration of the PRC in June 2023), and (b) Pulocimab (VEGFR-2 monoclonal antibody (AK109)), proposed to be used for the treatment of advanced solid tumors, which is carrying out phase II clinical trial as of the date of this announcement.

The net (loss)/profit (before and after taxation) of AD Pharmaceuticals for the two years ended 31 December 2021 and 2022 and for the 9 months ended 30 September 2023 were as follows:

	<b>For the year ended 31 December</b>		<b>For the 9 months ended 30 September</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
Net (loss)/profit before taxation	(124,241)	(181,023)	(84,791)
Net (loss)/profit after taxation	(124,241)	(181,023)	(84,791)

*Note: the figures for the 9 months ended 30 September 2023 is unaudited.*

The unaudited carrying amount of the Group's investment in AD Pharmaceutical was RMB 0 as at 30 September 2023.

Following the Disposal, the Group will cease to have any interest in AD Pharmaceuticals. Based on the carrying amount of the Group's investment in AD Pharmaceutical, the Purchase Price and Disposal related expenses, the Company estimates that it will recognise a net gain (before tax) of approximately RMB267,000,000 to RMB285,000,000 as a result of the Disposal.

The Disposal would enable the Group to exit its minority investment in AD Pharmaceuticals and re-deploy its resources towards the Group’s research and development projects, as well as its manufacturing and sales activities.

Taking into account the factors above (including the basis of determining the Purchase Price disclosed under “The Disposal”), the fact that the Group can recover more than the full value of its investment in and Loans to AD Pharmaceuticals with a net gain as result of the Disposal, the inherent uncertainties of successful development and returns that can be generated from new drug development over which the Group has little control as a minority investor, the Directors consider that the Disposal is in the interest of the Company and the Shareholders as a whole, and that the Agreement is on normal commercial terms and its terms are fair and reasonable.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to, amongst others, the announcement and reporting requirements under the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“2021 Loan Agreement”	the loan agreement dated 2 February 2021 entered into between Dawnrays Biotech and AD Pharmaceuticals;
“2022 Loan Agreement”	the loan agreement dated 24 October 2022 entered into between Dawnrays Biotech and AD Pharmaceuticals, and the supplemental agreements entered into by Dawnrays Biotech and AD Pharmaceuticals on 30 June 2023, 31 July 2023, 29 September 2023 and 29 December 2023;
“AD Pharmaceuticals”	康融東方(廣東)醫藥有限公司 (AD Pharmaceuticals Co., Ltd.*), a company incorporated in the PRC and is owned as to 65% and 35% by Akeso Biopharma and Dawnrays Biotech respectively;
“Agreement”	the share transfer agreement entered by Dawnrays Biotech, the Company, Akeso Biopharma, Akeso Inc. and AD Pharmaceuticals on 8 February 2024;
“Akeso Biopharma”	中山康方生物醫藥有限公司 (Akeso Biopharma Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of Akeso, Inc.;

“Akeso Inc.”	Akeso, Inc. (康方生物科技(開曼)有限公司), a company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange (Stock Code: 9926);
“Board”	the board of Directors;
“Company”	Dawnrays Pharmaceutical (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Dawnrays Biotech”	Dawnrays Biotechnology Capital (Asia) Limited (東瑞生物投資發展(亞洲)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Director(s)”	the director(s) of the Company;
“Disposal”	the proposed disposal of the 35% equity interest in AD Pharmaceuticals by Dawnrays Biotech and the repayment of the Loans by AD Pharmaceuticals and/or Akeso Biopharma pursuant to the terms of the Agreement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“JV Agreement”	the agreement dated 14 December 2016 entered into between Dawnrays Biotech and Akeso Biopharma in relation to the formation of AD Pharmaceuticals, and two supplemental agreements entered into by Dawnrays Biotech and Akeso Biopharma on 24 June 2020 and on 9 September 2021 respectively;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loans”	the unsecured loans advanced by Dawnrays Biotech in favour of AD Pharmaceuticals under the 2021 Loan Agreement and the 2022 Loan Agreement, with a total outstanding principal amount of RMB 115,500,000 as at 8 February 2024;
“PRC”	the People’s Republic of China;
“Purchase Price”	the price set out in the Agreement for the sale and purchase of Dawnrays Biotech’s 35% equity interest in AD Pharmaceuticals;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“working days”	statutory working days in the PRC (excluding Saturdays, Sundays and statutory public holidays);
“%”	per cent.

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

Hong Kong, 9 February 2024

*As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Li Kei Ling and Mr. Hung Yung Lai; one non-executive Director, namely Mr. Leung Hong Man; and three independent non-executive Directors, namely Mr. Lo Tung Sing Tony, Mr. Ede, Ronald Hao Xi and Ms. Lam Ming Yee Joan.*

*\*for identification purpose only*