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# 石四藥集團有限公司 SSY Group Limited

*(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2005)*

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

### CHAIRMAN'S STATEMENT

On behalf of the board of directors (the “Board”) of SSY Group Limited (the “Company”), I hereby present the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021.

### I. RESULT AND DIVIDEND DISTRIBUTION

In 2021, faced with the adjustments in the pharmaceutical market and industrial policy amidst the normality under novel coronavirus epidemic, the Group made concerted efforts to overcome the various adverse effects brought by the epidemic and market competition with its endeavor in operation and implementation of various measures to ensure market support, and thus achieved sustainable growth in volume and revenue of its main businesses. Over the past year, as the Group made strenuous efforts to promote scientific research, innovation and structural optimisation, new products and product types under evaluations have been approved successively, and the Group demonstrated strong advantage in winning tenders of national and local centralised procurement of preparation products. With the accelerated utilisation of the production capacity of main bulk pharmaceuticals and preparations, continuous improvement in the market condition and increasing market shares, the Group delivered favourable performance in promoting the integrated development in relation to the whole industry chain and diversified forms from medical materials, bulk pharmaceuticals to high value-added preparations, providing sufficient momentum for the future development of the Group.

In 2021, the Group achieved a revenue of HK\$5,357 million, representing an increase of 25.7% compared to last year, and the gross profit margin was 59.2%, representing a decrease of 4.4 percentage points compared to last year. The net profit was HK\$786 million, representing an increase of 28.4% compared to last year. The Directors resolved to pay a final dividend of HK\$0.07 per share on 8 June 2022 to the shareholders named in the register of members of the Company on 26 May 2022. Total dividends for the year were HK\$0.12 per share, representing an increase of 20% compared to last year.

## II. BUSINESS REVIEW

For the year ended 31 December 2021, revenue of the Group amounted to approximately HK\$5,356,763,000, representing an increase of 25.7% as compared to HK\$4,260,898,000 in last year. A breakdown of revenue of the Group for the year ended 31 December 2021 is set out as follows:

	2021		2020		
	Sales HK\$'000	Percentage of sales %	Sales HK\$'000	Percentage of sales %	Increase/ (Decrease) %
Intravenous infusion solution and others	<b>5,179,586</b>	<b>96.7</b>	4,141,579	97.2	25.1
(Including:					
Non-PVC soft bag & upright soft bag					
infusion solution	<b>2,312,295</b>	<b>43.2</b>	1,696,131	39.8	36.3
PP plastic bottle infusion solution	<b>764,057</b>	<b>14.2</b>	696,861	16.4	9.6
Glass bottle infusion solution	<b>228,013</b>	<b>4.3</b>	244,003	5.7	(6.6)
Ampoule injection	<b>1,093,615</b>	<b>20.4</b>	971,508	22.8	12.6
Bulk pharmaceuticals	<b>533,860</b>	<b>10.0</b>	230,217	5.4	131.9
Others)	<b>247,746</b>	<b>4.6</b>	302,859	7.1	(18.2)
Medical materials	<b>177,177</b>	<b>3.3</b>	119,319	2.8	48.5
Total	<b>5,356,763</b>	<b>100</b>	4,260,898	100	25.7

## (1) Sales of Products

In response to the new situation of further implementation of reform to the centralised medicines procurement and under the epidemic normality, the Group increased its effort in promoting market development for conventional preparations and main preparations. At the same time, in light of changes in demands from the industrial chain and upholding the principle of overall planning and key breakthrough, the Group stepped up efforts in increasing the production and sales of its major bulk pharmaceuticals and medical materials, so as to ensure a continuously and consistently favourable operation performance overall. Taking the opportunity brought by National Centralised Medicines Procurement as well as provincial and regional Group Purchasing Organisation Programme, the Group continuously expanded the market accessibility of its products. During the year, the Group actively participated in the fourth and fifth round of National Centralised Medicines Procurement and renewal of previous National Centralised Procurement contracts, as well as the tendering of provincial and municipal procurement programmes, price integration and tendering for hospital medicines procurements. 2 types with 4 specifications, namely Ambroxol Hydrochloride Injection (1ml: 7.5mg, 2ml: 15mg, 4ml: 30mg) and Doxofylline Injection (10mg: 0.1g) were awarded the tenders in the fourth round of National Centralised Medicines Procurement. 2 product specifications, namely Fluconazole and Sodium Chloride Injection (100ml: 0.2g Fluconazole and 0.9g Sodium Chloride) and Ropivacaine Hydrochloride Injection (10ml: 100mg PP ampoule), were successfully selected in the fifth round of National Centralised Medicines Procurement. So far, a total of 6 types with 9 specifications of the Group's products have been selected in National Centralised Medicines Procurement, which were promptly put on the market and realised the sales increment, becoming a new growth driver for the benefit of the Group.

In addition, the Group carried out online tendering of main products such as Bromhexine Hydrochloride Injection, Metronidazole Injection, Ciprofloxacin Lactate and Sodium Chloride, Linezolid and Glucose Injection, Fluconazole and Sodium Chloride Injection, Medium-chain and Long-chain Triglycerides Lipid Emulsion Injection (C8~24Ve), Terbutaline Sulphate Nebuliser Solution, Lacosamide Tablets and Dexmedetomidine Hydrochloride Injection in over 20 provinces, creating good and accessible conditions to maintain market shares, strengthen its ability for overall development and market penetration of main products and new products, increase sale volume and expand market coverage of products with tenders awarded.

The production and sales of infusion solutions was stable with a slight increase, and the proportion of therapeutic products showed healthy growth. Amidst the normality under epidemic, the domestic pharmaceutical market restored a stable supply and demand condition. As the intravenous infusion solution industry has become increasingly concentrated, the Group continued to increase its market shares and remained its leading position in the infusion market. In 2021, the sales volume of infusion solutions reached approximately 1,358 million bottles (bags), representing an increase of approximately 13.8% compared to last year. The revenue of infusion solutions reached approximately HK\$3,304 million,

representing an increase of approximately 25.3% compared to last year. In particular, the sales volume of key infusion solution products such as Metronidazole, Levofloxacin Lactate, Ciprofloxacin, Moxifloxacin, Sodium Lactate Ringer and Peritoneal Dialysis Solution reached approximately 205.50 million bottles (bags), representing an increase of approximately 22.4% compared to last year. The sales volume of Metronidazole reached approximately 41.45 million bottles (bags), representing an increase of approximately 67% as compared to last year. The sales volume of Peritoneal Dialysis Solution products reached approximately 2.15 million bottles (bags), representing an increase of 877% as compared to last year.

Ampoule product line has become a powerful boost and new growth driver for the Group's injection segment as it has become increasingly rich in varieties with its production and sales gradually scaled up. The market expansion of ampoule products including Betahistine Hydrochloride Injection has been accelerated. At the same time, the Group's products including Ambroxol Hydrochloride, Doxofylline and Ropivacaine Hydrochloride were successively included for National Centralised Medicines Procurement, forming a new growth point for the Group's ampoule products to achieve rapid breakthrough in scale. Efforts have been made to accelerate the marketing of new ampoule products including Bromhexine Hydrochloride, Terbutaline Sulfate Nebuliser Solution, Dexmedetomidine and Adenosine Cyclophosphate, which have promising market prospect. During the year, the revenue of ampoule products of the Group was approximately HK\$1,094 million, representing an increase of approximately 12.6% as compared to last year, which continued to maintain a good growth momentum.

In respect of bulk pharmaceuticals business, the Group achieved continuous improvement in sales revenue and substantial increase in sales volume of main products. A number of types of products were granted production approvals, and the product mix has become increasingly diversified. During the year, the revenue from bulk pharmaceuticals reached approximately HK\$534 million, representing an increase of 131.9% as compared to last year. The market restored growth momentum with substantial increase in prices. After continuous optimisation of production process, improvement of quality standard as well as transformation and enhancement of environmental protection treatment capacity by the Group, the production capacities of the Group were effectively released, and the product advantages such as cost and quality were further demonstrated. Caffeine achieved a sales volume of 2,758 tonnes during the year, representing an increase of approximately 394% as compared to last year, and its products were sold to various markets such as America, Europe and Asia. Azithromycin achieved a sales volume of 223 tonnes, representing an increase of approximately 40% as compared to last year.

With the Group's continuous efforts in the bulk pharmaceuticals segment, the production capacities of major bulk pharmaceuticals including Caffeine, Theophylline, Aminophylline, Metronidazole, Nifedipine, Azithromycin and Hydroxyethyl starch have been enhanced and the trend of their production and sales was gratifying. New specialised bulk pharmaceuticals, including Terbutaline Sulfate (an anti-asthmatic drug), Linezolid Hydrochloride (an anti-bacterial drug), Cinacalcet Hydrochloride (the only calcium mimetic approved by the US

FDA for use in humans), Dexmedetomidine Hydrochloride (providing sedation effect for patients receiving general anesthesia surgery), Lurasidone Hydrochloride and Blonanserin (antipsychotic drugs) and Ipratropium Bromide (a bronchitis drug), have been granted national production approval, and currently efforts have been made to accelerate the progress of industrialisation. Applications for 13 bulk pharmaceuticals, including Ornidazole, Levornidazole, Tinidazole, Tedizolid Phosphate, Urapidil Hydrochloride, Urapidil, Rosuvastatin Calcium, Safinamide Methansulfonate, Entacapone, Stiripentol, Theobromine, Tofacitinib Citrate and Doxofylline (in various fields such as antibacterial, antihypertensive, antilipemics, treatment of hypoglycemic and its complications, Parkinson's disease, asthma and psychoneurological), have been completed and were pending for approval. In addition, approval applications for a batch of newly-developed and high value-added specialised bulk pharmaceuticals, such as Formoterol Fumarate, Etomidate, Vortioxetine Hydrobromide, Benserazide Hydrochloride, Nicorandil, Trelagliptin Succinate, Alogliptin Benzoate, Collagen, Epinephrine and Gadobutrol Contrast Agents (in various fields such as treatment of asthma, anesthesia, psychiatry, cardiovascular and first aid), have been accelerated. New growth drivers for the future development of the bulk pharmaceuticals segment were strengthened.

Solid preparations business segment recorded a steady increase in production and sales. Leveraging on tender awarded for National Centralised Medicines Procurement of Cefdinir capsule and Prucalopride Succinate tablet, the Group connected closely the commercial chain with the end market by stepping up professional promotion and adjusting market layout, so as to promote product, channel and personnel penetration and further improve the product accessibility and brand penetration. Cefdinir capsule and Rosuvastatin Calcium tablet achieved sales in scale within a short period of time, and the market influence expanded to the whole of China, of which Cefdinir capsule achieved sales of HK\$54.74 million, representing an increase of approximately 150% as compared to last year.

In respect of medical materials, the Group successfully extended its presence into the bioprocessing film industry. Jiangsu Best New Medical Material Co., Ltd. stepped up efforts to strengthen the product upgrade and technology advancement of major medical materials products such as rubber stoppers, infusion films and bioprocessing films, and enhanced the supporting ability of the leading products for production in downstream production chains, which facilitated the enhancement of its production capacity and market coverage, accumulating strength for enhancement of industrialisation scale and quality in the future. Newly developed multi-layer co-extrusion bioprocessing films for single-use system in liquid dosing has been put into industrial production and achieved sales, which is used to replace those imported bioprocessing films and has broad market development prospects. In addition, the Group also made positive progress with a number of new product development projects including bioprocessing films for cell culture, albumin liquid storage bag films and multi-layer co-extrusion high barrier films, playing an important role in accelerating the product upgrading of the medical materials segment and establishing the leading position of the Group in the production as well as research and development of bioprocessing films in the domestic market.

As the export of preparations to foreign countries were limited by multiple factors such as the global pandemic and the surge in international sea freight rates, the export of the Group's preparations to foreign countries were greatly affected. During the year, revenue from the export of preparations amounted to approximately HK\$83.72 million, representing a decrease of approximately 50.3% compared to last year, and sales volume from export of infusion solutions was approximately 53.25 million bottles, representing a decrease of approximately 50.1% as compared to last year. During the year, the Group continued to maintain good relationship with international customers and carry out overseas product registration, adding 5 new countries and 11 product registration certificates, actively laying a foundation for future market recovery. Currently, the Group has obtained 322 product registration certificates in almost 100 countries.

## **(2) Research and Development of New Products**

Upholding the innovation-driven strategy, the Group continuously increased the investments and gradience in technological innovation through the innovative platform integrating production, education, research and application, expedited and improved the progress, efficiency and level of R&D of new products. With the positive result from innovation achievements, the Group's product portfolio was increasingly enriched and improved, providing a strong driving force for the sustainable development of the Group. In 2021, based on the cooperation with several universities and scientific research institutes, the Group entered into a strategic cooperation agreement with China Pharmaceutical University (中國藥科大學) to improve the level and grade of scientific research and development and accelerate industrialisation of scientific and technological achievements. During the year, the Group joined hands with China Pharmaceutical University, Shenyang Pharmaceutical University, Lanzhou University and Hebei Medical University to establish several internship and practice bases for undergraduate and postgraduate, in an effort to actively build suitable technology talent reserve for the Group.

Taking into account of existing and potential markets, the Group is persistent in pushing forward the integrated research and development of innovative drugs and generic drugs as well as the consistency evaluation of generic drugs, and made great efforts in implementing the business strategy of “bulk pharmaceuticals + preparations”, achieving remarkable innovation results. Due to the efforts made by the Group to promote the development of innovative drugs, Type I new drug NP-01, the first innovative drug type of the Group, has entered into the research of Phase I clinical trial. NP-01 is an innovative anti-tumor drug simultaneously targeting of KDR, Met and Axl. Currently, the Group has stepped up efforts to push forward the preliminary research on anti-liver fibrosis Type 1 innovative drug ADN-9, anti-epileptic compound QO-83, self-developed anti-pulmonary hypertension Type 1 innovative drug and anti-tumor Type 2 chemical innovative drug Miriplatin, aiming to apply for clinical trial by the end of 2022. During the year, a total of 20 national production approvals were obtained, including 7 infusion products approved for production namely Ciprofloxacin Lactate and Sodium Chloride Injection, Fluconazole and Sodium Chloride Injection, Metronidazole and Sodium Chloride Injection (100ml and 250ml), Levornidazole

and Sodium Chloride Injection, Linezolid and Glucose Injection and Medium-chain and Long-chain Triglycerides Lipid Emulsion Injection (C8~24Ve); 3 types of ampoule namely Bromhexine Hydrochloride Injection, Terbutaline Sulfate Nebuliser Solution and Dexmedetomidine Hydrochloride Injection; 2 solid preparation products namely Lacosamide Tablets (50mg, 100mg); 2 powder injection products namely Azithromycin for Injection (0.25g, 0.5g); and 6 bulk pharmaceutical products namely Terbutaline Sulfate, Linezolid, Dexmedetomidine Hydrochloride, Lurasidone Hydrochloride, Blonanserin and Ipratropium Bromide. The following products were approved in the first three months of 2022: Fluconazole and Sodium Chloride Injection (50ml), Dexmedetomidine Hydrochloride Injection (1ml) Moxifloxacin Hydrochloride tablets, Sodium Chloride Injection, Moxifloxacin Hydrochloride Eye Drops, Cinacalcet Hydrochloride and Epalrestat raw materials have been approved.

During the year, 63 projects were applied for national production approval by the Group, including 39 new types of liquid and solid preparations and 13 bulk pharmaceuticals. In particular, Azithromycin Dry Suspension (a specialised type for children with high clinical demand), Stiripentol Dry Suspension, Blonanserin tablets (a psychotropic drug) and Pentoxifylline Injection and Pentoxifylline sustained-release tablets (cardio-cerebral vascular drugs) were the first of such products being submitted under the new type in China, among which Stiripentol Dry Suspension and Pentoxifylline Sustained-Release tablets were the only domestic one of its kind being submitted for application. Applications for Cefaclor for Suspension for children, Oseltamivir Phosphate for Suspension and Valsartan Amlodipine tablet (a compound preparation), etc. were completed. The continuous expansion of injection, solid preparation and bulk pharmaceuticals product line will help the diversification development of the Group's product mix.

Research results of products for passing consistency evaluations was convincing. During the year, 7 product specifications of the Group, namely Ciprofloxacin Lactate and Sodium Chloride Injection, Fluconazole and Sodium Chloride Injection, Metronidazole and Sodium Chloride Injection (100ml and 250ml) and Ambroxol Hydrochloride Injection (1ml, 2ml and 4ml), have passed the consistency evaluations. In particular, 2 products, namely Ciprofloxacin Lactate and Sodium Chloride Injection together with Metronidazole and Sodium Chloride Injection (250ml), were both the first one of passing such evaluation in China. From January to March of 2022, there are another 5 products which passed the consistency evaluation. Currently, 20 types with 28 product specifications of the Group have passed consistency evaluation or have been regarded as passing the consistency evaluation, which played a stronger facilitation and stimulation role in consolidating and expanding market shares.

Combining with fundamental and innovative researches, the protection of intellectual property rights is progressively achieved on the same pace. As of now, the Group has cumulatively applied for 288 patents and received authorisation of 170 patents, including 68 invention patents in China and 5 international invention patents.

### **(3) Development of Projects**

Acceleration in reform and construction of industry infrastructure projects is essential to the enhancement of production capability of the Group, satisfaction of market demands and optimisation of product mix. The Group took advantage of the favorable opportunity to accelerate the commercialisation process for new products, actively integrated the development of technological transformation projects with business optimisation, intelligent manufacturing, refined management and channel development, constructed and built intelligent factories, enhanced the level of intelligent manufacturing, and realised the cost reduction, efficiency improvement, quality assurance as well as safety and environmental protection in an effective and consistent manner. In 2021, the Group's industrialisation projects for 15 new products, such as Lyophilized Powder Injection and Emulsion, were included in Thousands of Technological Transformation Projects (千項技改項目) in Hebei Province. With the support of preferential policies for the enterprises promulgated by the governments at all levels, efforts have been made to accelerate the implementation process for the major technology improvement projects, which began to show positive results.

The bulk pharmaceuticals segment of Hebei Guangxiang Pharmaceutical Co., Ltd. and Hebei Guolong Pharmaceutical Co., Ltd. strived to explore its development potential through technology improvement, and stepped up efforts in production process optimisation, equipment modification and environmental protection upgrade, leading to remarkable improvement in production capacity, environmental protection performance and safety protection level.

The construction project of bioprocessing film of Jiangsu Best began as scheduled. The new product, 7-layer bioprocessing barrier films of 1.6 metres width, has been put into trial production by the end of 2021, and samples were provided to customers for testing. Together with the second production line for 7-layer bioprocessing barrier films which is targeted to commence trial production in June 2022, the annual production capacity of bioprocessing films will increase by 20 million square metres, thus enhancing the Group's ability in market supply.

### **(4) Capital Operation**

In light of the new development and new changes in the capital market as well as the actual needs of the Group to strengthen, expand and optimise its business operation, the Group proactively facilitated the spin-off listing of its medical materials segment and bulk pharmaceuticals segment in China during the year. Currently, application for listing on the National Equities Exchange and Quotations in respect of the medical materials segment has been accepted, and follow-up works are in progress orderly. In addition, in light of the current development of the industry, the Group completed the acquisition of 6.1% of the equity interest in Cisen Pharmaceutical Co., Ltd. in a timely manner in 2021, which is expected to bring long-term return and new development opportunity for the Group. To ensure stable supply and quality of raw materials for caffeine and to reduce raw material costs cost and create synergistic effects, the Group has acquired as a vertical integration of the whole of the equity interest in Cangzhou Lingang Youyi Chemical Co., Ltd. ("Youyi Chemical") in March 2022. The completion of the acquisition provided important supports and guarantees for the enhancement of stable supply for the caffeine production chain, optimisation of production costs and achievement of the goal of an annual production of 7,000 tonnes of caffeine.

### **III. PROSPECTS FOR DEVELOPMENT**

Looking ahead in 2022, the economic situation will remain complicated and dynamic amidst the normality under global pandemic. Facing the combined pressure arising from external factors that may persist and bring various challenges to the Group's production and operation, the Group will push forward the supply-side structural reform. The Group will make effort to promote the dual circulation development of domestic and international markets, expand its operation advantages and mitigate the impacts and restraints from negative factors, so as to maintain the momentum of a positive cycle for its stable development and strive to achieve more solid operating results.

1. The Group will make coordinated efforts to improve quality and enhance efficiency of the preparation segment by optimizing structure and increasing sales volume. By focusing on its core injection business of injections, the Group will further develop its existing market and make continuous effort to explore new markets, with an aim to establish a new development landscape. In 2022, the Group will make an in-depth and better systematic analysis on the national and local centralised procurement policies, seize good opportunity for precise market access with a key focus on price, and basically maintain steady price. Capitalizing on the radiation and driving effects of the Group Purchasing Organisation Programme, the Group will strive to increase market shares and expand the proportion of high value-added products in terms of production and sales volume, with an aim to improve its profitability and maintain its leading position in the market. Through various means including adjustment of market layout, tendering access and control model, the Group will focus to increase the sales volume of major types of therapeutic infusion products such as Levofloxacin Lactate, Sodium Bicarbonate, Ambroxol, Tinidazole, Fluconazole and Ciprofloxacin, with an aim to further improve the profitability of the infusion segment. In 2022, the target production and sales volume of infusion products is 1,500 million bottles (bags), representing an increase of approximately 10.5% as compared to last year. The Group will further expand, strengthen and optimise its ampoule liquid injection business, step up effort to increase sales of new ampoule products, and explore the market potential that may exceed RMB100 million revenue of ampoule types such as Betahistine Hydrochloride and Bromhexine, continuing to make a greater contribution to the development of the Group's injections segment. The Group will arrange its products that have passed the evaluation to participate in the seventh and eighth round of National Centralised Medicines Procurement activities. In addition, the Group will proactively push forward the industrialisation and marketisation of the solid preparation products that were recently approved. Leveraging on the National Centralised Medicines Procurement, the Group will accelerate the expansion of production capacity and market shares, with an aim to expand and strengthen its solid preparation segment. At the same time, the Group will push forward the promotion and usage of bioprocessing films in China, increase its market shares and strive to strengthen its industry position and product influence in the field of medical materials, creating good conditions for the listing of its medical materials segment.

2. The Group will seize market opportunities to expand its bulk pharmaceuticals business for capturing market and making a greater contribution to the development of the Group. With the goal of improving capacity utilisation and reducing costs, the Group will strengthen fundamental management works such as technological advancement, safety and environmental protection. We will improve management ability of our team, speed up utilisation of production capacity, and enhance the overall level in terms of scale, modernisation and marketisation of the Group's bulk pharmaceuticals business. In 2022, production volumes of major products caffeine and Azithromycin are targeted to reach 7,000 tonnes and 450 tonnes, representing a year-on-year increase of approximately 154% and approximately 102%, respectively, and the annual target of Methylamine in the newly acquired company Youyi Chemical is 28,000 tonnes. The significant increase in production output of the above three major bulk pharmaceuticals and intermediate pharmaceuticals products will make substantial contribution to the benefits of the Group in 2022. In the meantime, we will seize the favorable opportunity brought by the recovery of international market demand for caffeine, and continue to secure orders from target customers in America, Europe, South Asia and Southeast Asia, etc. to achieve the expected target sales volume and revenue, in an effort to reach a 100% production to sales ratio and lay a solid foundation for pushing forward the listing of the bulk pharmaceuticals segment on the domestic A-share market.
3. By benchmarking with advanced enterprises, the Group will establish innovative system and mechanism that are beneficial for the development of the Group, with an aim to push forward the Group's research & development and innovative business to a new stage.

Firstly, the Group will proactively construct and develop an innovative high-energy ecosystem, explore the advantages of convergence of technology, talents and capital to continuously improve the levels and grades of innovation development. Leveraging on its advantage in cooperation and jointly-built think tank with universities, academicians, scientific research institutes, healthcare institutions and upstream and downstream enterprises of the industry, the Group will push forward the cooperation with national tertiary institutions in innovative drug research for new breakthroughs. In addition, the Group will promote the construction of an industrial ecosystem of organic innovation and cooperation, empower continuously the Group's innovation ability and efficiency of research and development business, and enhance the effectiveness of corporate innovation and core competitiveness of the Group.

Secondly, adhering to the strategy of "combination of generic and innovative drugs", the Group will make concerted effort to enhance the efficiency in the research and development of its advantageous products in generic drugs, innovative drugs, bulk pharmaceuticals and medical materials, accumulating strength for the sustainable development of the Group. The Group will continue to step up efforts in the research and development of drugs for chronic diseases, circulatory systems, emergency anesthesia drugs, antipyretic and analgesic drugs, new anti-infective drugs, anti-viral drugs and anti-tumor drugs, as well as bulk pharmaceuticals and medical materials, building up innovation advantage to fit in the development of the Group and meet market demand. In 2022, the Group will strive to obtain national production approval for 40 products including 22 approvals for liquid preparations, 9 approvals for solid preparations and 9 approvals for bulk pharmaceuticals. The Group will

strive to make new breakthroughs in the research and development of innovative drugs. The Group will push forward the phase I clinical trial of anti-tumor Type 1 innovative drug NP-01 and strive to apply for phase II clinical trials as soon as possible, and speed up preliminary researches on anti-liver fibrosis Type 1 innovative drug ADN-9, anti-epileptic compound QO-83, self-developed anti-pulmonary hypertension Type 1 innovative drug and anti-tumor Type 2 chemical innovative drug Miriplatin, so as to submit the application for registration of clinical trial as soon as possible. Meanwhile, the Group will make in-depth study of the development and technology of bioprocessing films, and accelerate the research and production of market-foresighting multi-layer co-extrusion high barrier films on the basis of improving the existing cell culture bag films and albumin liquid storage bag film product series, forming core advantages in research and development of domestic bioprocessing film production with comprehensive functions, full variety and leading technologies.

4. The Group will continue to proactively push forward the spin-off listing of its medical materials segment and bulk pharmaceuticals segment on the domestic market. At the same time, the Group will actively seek opportunities of merger and acquisition as well as investment in the pharmaceutical industry. The intensifying market competition and the guidance of national policies will trigger more mergers and acquisitions in the pharmaceutical industry. Combining its own advantages, the Group will seize the opportunities of merger and acquisition as well as investment in order to strengthen its market position and product position so as to increase its return on investment.

Facing the persistent risks and challenges in the post-pandemic era, the pharmaceutical industry will be confronted with the greatest changes in this century. Self-developed innovation driven by market demand, the integration and collaboration based on controllable supply chain, and the enhanced efficiency brought by the trend of digital transformation will become the important drivers for the progress and breakthroughs of the overall industry and the Group. While accelerating the optimisation of industrial structure, improvement of sales of product and construction progress of infrastructure projects, the Group will expedite the progress of spin-off listing of the medical materials segment and bulk pharmaceuticals segment, and strive for a win-win situation in the product and capital market.

As one of the top 100 enterprises in China pharmaceutical industry and the top 30 best industrial enterprises with China pharmaceutical research and development product line, the Group will take full advantage of the excellent development opportunities arising from the positive changes in the domestic pharmaceutical market, the promotion of the construction and development of provincial capitals in Hebei Province, and the promotion of supporting the biopharmaceutical industry to make breakthroughs in Shijiazhuang and Cangzhou. We will grasp the initiative of development, maintain the resilience and vitality of innovative development, and strive for facilitating the quality development of the Group. By virtue of the scale, quality, management and brand advantages accumulated in the industry over the years and the continuous innovation momentum released by the Group, we firmly believe that we will be able to create new high record in terms of production output, sales and profit in 2022, and bring satisfactory returns to our investors with a stronger result of development.

I would like to take this opportunity to express our gratitude to our investors and all staff of the Group for their support to the development of the Company.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	<b>2020</b> <i>HK\$'000</i>
<b>Revenue</b>			
Cost of sales	3	<b>5,356,763</b> <u>(2,186,517)</u>	4,260,898 <u>(1,552,523)</u>
<b>Gross profit</b>		<b>3,170,246</b>	2,708,375
Other income		84,291	71,717
Selling and distribution costs		(1,707,028)	(1,613,294)
General and administrative expenses		(309,941)	(281,339)
Research and development costs		(247,992)	(126,901)
(Provision for)/reversal of impairment loss on trade, bill and other receivables		<u>(1,491)</u>	324
<b>Profit from operations</b>		<b>988,085</b>	758,882
Finance income		16,184	17,805
Finance costs		<u>(61,298)</u>	<u>(51,472)</u>
Finance costs – net	4(a)	(45,114)	(33,667)
Share of profit of an associate		<u>5,426</u>	<u>–</u>
<b>Profit before taxation</b>	4	<b>948,397</b>	725,215
Income tax	5	<u>(160,104)</u>	<u>(114,396)</u>
<b>Profit for the year</b>		<b>788,293</b>	610,819
<b>Other comprehensive income for the year, net of nil tax</b>			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		<u>212,625</u>	<u>418,623</u>
<b>Other comprehensive income for the year</b>		<b>212,625</b>	418,623
<b>Total comprehensive income for the year</b>		<b>1,000,918</b>	1,029,442

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<b>785,533</b>	611,971
Non-controlling interests		<b>2,760</b>	(1,152)
<b>Profit for the year</b>		<b>788,293</b>	610,819
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>990,390</b>	1,014,508
Non-controlling interests		<b>10,528</b>	14,934
<b>Total comprehensive income for the year</b>		<b>1,000,918</b>	1,029,442
<b>Earnings per share</b>			
– Basic	6(a)	<b>HK\$0.2599</b>	HK\$0.2019
– Diluted	6(b)	<b>HK\$0.2591</b>	HK\$0.2012

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*For the year ended 31 December 2021*

*(Expressed in Hong Kong dollars)*

	31 December 2021	31 December 2020
	<i>Note</i>	<i>HK\$'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	4,051,004	3,836,141
Right-of-use assets	331,387	333,382
Intangible assets	907,196	685,389
Interests in an associate	441,694	—
Deferred tax assets	30,930	20,863
Pledged bank deposits and fixed deposits	<u>62,589</u>	<u>119,335</u>
	<u>5,824,800</u>	<u>4,995,110</u>
<b>Current assets</b>		
Inventories	827,504	638,301
Trade and bills receivables	7 2,023,941	1,813,313
Prepayments, deposits and other receivables	299,811	294,709
Pledged bank deposits and time deposits	70,928	66,369
Cash and cash equivalents	<u>1,661,736</u>	<u>1,445,905</u>
	<u>4,883,920</u>	<u>4,258,597</u>
<b>Current liabilities</b>		
Borrowings	1,414,438	1,327,115
Trade and bills payables	8 401,685	240,562
Contract liabilities	94,333	45,929
Lease liabilities	2,809	3,664
Accruals and other payables	423,788	469,591
Income tax payable	<u>57,302</u>	<u>30,883</u>
	<u>2,394,355</u>	<u>2,117,744</u>
<b>Net current assets</b>	<u>2,489,565</u>	<u>2,140,853</u>
<b>Total assets less current liabilities</b>	<u>8,314,365</u>	<u>7,135,963</u>

	<b>31 December</b> <b>2021</b> <i>Note</i>	<b>31 December</b> <b>2020</b> <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Borrowings	<b>1,688,757</b>	1,099,957
Lease liabilities	<b>1,801</b>	4,610
Deferred tax liabilities	<b>21,409</b>	19,348
Deferred revenue	<b>109,690</b>	96,837
	<b>1,821,657</b>	<b>1,220,752</b>
<b>NET ASSETS</b>	<b>6,492,708</b>	<b>5,915,211</b>
<b>CAPITAL AND RESERVES</b>	<b>9</b>	
Share capital	<b>66,741</b>	67,682
Reserves	<b>6,152,122</b>	5,584,354
<b>Total equity attributable to equity shareholders of the Company</b>	<b>6,218,863</b>	5,652,036
<b>Non-controlling interests</b>	<b>273,845</b>	<b>263,175</b>
<b>TOTAL EQUITY</b>	<b>6,492,708</b>	<b>5,915,211</b>

## **SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Basis of preparation**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***Changes in accounting policies***

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## **2. Segment reporting**

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments, namely intravenous infusion solution and others and medical materials. No operating segments have been aggregated to form the reportable segments.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Unallocated assets mainly comprise corporate cash. Segment liabilities include operating liabilities. Unallocated liabilities mainly comprise corporate borrowings.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit from operations.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	2021			
	Intravenous infusion solution and others <i>HK\$'000</i>	Medical materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition</b>				
Point in time				
Revenue from external customers	5,174,515	176,950	—	5,351,465
Over time	5,071	227	—	5,298
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue from external customers	5,179,586	177,177	—	5,356,763
Inter-segment revenue	29,239	179,442	—	208,681
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Reportable segment revenue</b>	<b>5,208,825</b>	<b>356,619</b>	<b>—</b>	<b>5,565,444</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Operating profit or loss/segment results</b>				
Finance income	15,661	66	457	16,184
Finance costs	(43,934)	—	(17,364)	(61,298)
Share of profit of an associate	5,426	—	—	5,426
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Profit/(loss) before taxation</b>	<b>1,038,359</b>	<b>14,860</b>	<b>(104,822)</b>	<b>948,397</b>
Income tax	(154,853)	(5,251)	—	(160,104)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Reportable segment profit/(loss) for the year</b>	<b>883,506</b>	<b>9,609</b>	<b>(104,822)</b>	<b>788,293</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and amortisation for the year	365,842	21,026	2,946	389,814
Provision for impairment of receivables	1,444	47	—	1,491
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets/reportable segment assets (including interests in an associate)</b>	<b>10,209,569</b>	<b>414,280</b>	<b>84,871</b>	<b>10,708,720</b>
Additions to non-current assets	1,084,087	44,032	—	1,128,119
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities/reportable segment liabilities</b>	<b>3,117,516</b>	<b>32,646</b>	<b>1,065,850</b>	<b>4,216,012</b>

2020

	Intravenous infusion solution and others <i>HK\$'000</i>	Medical materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	4,140,329	119,049	—	4,259,378
Over time	1,250	270	—	1,520
Revenue from external customers	4,141,579	119,319	—	4,260,898
Inter-segment revenue	17,969	128,362	—	146,331
<b>Reportable segment revenue</b>	<b>4,159,548</b>	<b>247,681</b>	<b>—</b>	<b>4,407,229</b>
<b>Operating profit or loss/segment results</b>				
Finance income	17,301	23	481	17,805
Finance costs	(33,479)	(1)	(17,992)	(51,472)
<b>Profit/(loss) before taxation</b>	<b>760,485</b>	<b>(152)</b>	<b>(35,118)</b>	<b>725,215</b>
Income tax	(113,075)	(1,321)	—	(114,396)
<b>Reportable segment profit/(loss) for the year</b>	<b>647,410</b>	<b>(1,473)</b>	<b>(35,118)</b>	<b>610,819</b>
Depreciation and amortisation for the year	293,409	22,003	2,928	318,340
(Reversal of)/provision for impairment of receivables	(696)	372	—	(324)
<b>Total assets/reportable segment assets</b>	<b>8,688,670</b>	<b>343,294</b>	<b>221,743</b>	<b>9,253,707</b>
Additions to non-current assets	639,589	18,006	9,853	667,448
<b>Total liabilities/reportable segment liabilities</b>	<b>2,335,141</b>	<b>24,228</b>	<b>979,127</b>	<b>3,338,496</b>

### 3. Revenue

The Group derives revenue principally from the sale of a wide range of pharmaceutical products, which includes finished medicines of mainly intravenous infusion solution and ampoule injection to hospitals and distributors, bulk pharmaceutical products and medical materials.

#### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2021 HK\$'000	2020 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregation by major products or service lines		
– Sales of pharmaceutical products	<b>5,166,689</b>	4,135,107
– Sales of medical materials	<b>174,403</b>	117,915
– Services income	<b>5,071</b>	1,250
– Sales of raw materials and by-products	<b>10,373</b>	6,356
	<b>5,356,536</b>	4,260,628
<b>Revenue from other source</b>		
– Rental income	<b>227</b>	270
	<b>5,356,763</b>	4,260,898
Disaggregated by geographical location of customers		
– The PRC (place of domicile)	<b>4,875,960</b>	4,043,733
– Other countries	<b>480,803</b>	217,165
	<b>5,356,763</b>	4,260,898

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 2.

The geographical analysis on revenue above includes rental income from external customers in the PRC for the year ended 31 December 2021 of HK\$227,000 (2020: HK\$270,000). The directors have determined that no geographical segment information of specified non-current assets is presented as over 95% of the non-current assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

For the year ended 31 December 2021, no customer with whom transactions have exceeded 10% of the Group's revenue.

#### 4. Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

*(a) Finance income and costs*

	2021 HK\$'000	2020 HK\$'000
Finance income:		
– Interest income on bank deposits	(24,707)	(22,977)
– Net foreign exchange loss	<u>8,523</u>	<u>5,172</u>
<b>Finance income</b>	<b><u>(16,184)</u></b>	<b><u>(17,805)</u></b>
Finance costs:		
– Interest expense of borrowings	65,363	64,545
– Interest on lease liabilities	<u>267</u>	<u>313</u>
	<b><u>65,630</u></b>	<b><u>64,858</u></b>
<i>Less: Interest expense capitalised into qualifying assets*</i>	<i>(4,332)</i>	<i>(13,386)</i>
<b>Finance costs</b>	<b><u>61,298</u></b>	<b><u>51,472</u></b>
<b>Finance costs – net</b>	<b><u>45,114</u></b>	<b><u>33,667</u></b>

\* During the year ended 31 December 2021, the borrowing costs have been capitalised at a rate of 4.20% per annum (2020: 4.05%).

*(b) Staff costs*

	2021 HK\$'000	2020 HK\$'000
Contributions to defined contribution retirement plan	48,616	29,003
Equity-settled share-based payment expenses	67,050	–
Salaries, wages and other benefits	<u>548,263</u>	<u>440,420</u>
	<b><u>663,929</u></b>	<b><u>469,423</u></b>

(c) *Other items*

	2021 HK\$'000	2020 HK\$'000
Research and development costs	<b>461,148</b>	227,393
<i>Less:</i> Costs capitalised into intangible assets	<b>(213,156)</b>	<u>(100,492)</u>
	<b>247,992</b>	<u>126,901</u>
Amortisation <sup>#</sup>		
– intangible assets	<b>15,275</b>	16,927
<i>Less:</i> Amount capitalised as development costs	<b>(974)</b>	<u>(984)</u>
	<b>14,301</b>	<u>15,943</u>
Depreciation charges <sup>#</sup>		
– owned property, plant and equipment	<b>363,079</b>	290,637
– right-of-use assets	<b>11,460</b>	10,776
Provision for/(reversal of) impairment losses		
– trade and bills receivables	<b>1,366</b>	(332)
– other receivables	<b>125</b>	8
Auditors' remuneration – audit services	<b>2,870</b>	2,500
Cost of inventories <sup>#</sup>	<b>2,180,338</b>	1,548,862
Other expenses		
– transportation expenses	<b>443,738</b>	363,129
– utility expenses	<b>308,558</b>	230,379
– advertising expenses	<b>283,463</b>	202,027
– marketing and promotion service expenses	<b>825,254</b>	993,395
– travelling, meeting and entertainment expenses	<b>63,010</b>	41,684
– surcharges and other tax expenses	<b>71,939</b>	55,421

<sup>#</sup> Cost of inventories includes HK\$570,892,000 (2020: HK\$446,117,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

## 5. Income tax

*(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:*

	2021 HK\$'000	2020 HK\$'000
Current tax – the PRC Corporate Income Tax (“CIT”)	<b>167,983</b>	127,160
Deferred tax – origination and reversal of temporary differences	<b>(7,879)</b>	(12,764)
	<b>160,104</b>	<b>114,396</b>

The Company is incorporated in the Cayman Islands as an exempted company and, accordingly, is exempted from payment of the Cayman Islands income tax.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

Shijiazhuang No. 4 Pharmaceutical Co., Ltd. (“Shijiazhuang No.4”), Jiangsu Best New Medical Material Co., Ltd. (“Jiangsu Best”), Hebei Guangxiang Pharmaceutical Co., Ltd. (“Hebei Guangxiang”) and Hebei Guolong Pharmaceutical Co., Ltd. have been certified as High and New Technology Enterprises (“HNTE”) in 2021, 2020, 2020 and 2020, respectively. According to the tax incentives rules of the CIT Law of the PRC (the “CIT Law”) for HNTE, these entities are subject to a reduced corporate income tax rate of 15% for three years. The additional deduction of research and development expenditures have been increased from 75% to 100%, effective since 2021, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in March 2021.

All other subsidiaries of the Company established and operated in the PRC are subject to the PRC CIT at an applicable rate of 25%.

The CIT Law and its relevant regulations also impose a withholding tax at 10% on the foreign investors with respect to dividend distributions made out of the PRC entities from earnings accumulated from 1 January 2008, unless the foreign investors meet certain requirements specified in the relevant tax regulations in the PRC and accordingly are entitled to a preferential rate of 5%. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group’s PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

	2021 HK\$'000	2020 HK\$'000
Profit before taxation	<u>948,397</u>	<u>725,215</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	<u>246,327</u>	<u>183,846</u>
Effect of the PRC preferential tax rate	<u>(101,857)</u>	<u>(74,617)</u>
Effect of non-deductible expenses	<u>20,351</u>	<u>8,621</u>
Additional deduction of research and development expenditures	<u>(28,351)</u>	<u>(13,004)</u>
Withholding tax on profit distributions	<u>20,031</u>	<u>8,449</u>
Others	<u>3,603</u>	<u>1,101</u>
Actual tax expense	<u><u>160,104</u></u>	<u><u>114,396</u></u>

**6. Earnings per share**

**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$785,533,000 (2020: HK\$611,971,000) and the weighted average of 3,022,675,000 ordinary shares (2020: 3,030,997,000 ordinary shares) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

	2021 '000	2020 '000
Issued ordinary shares at 1 January	<u>3,043,727</u>	<u>3,032,325</u>
Effect of purchase and cancellation of own shares	<u>(21,052)</u>	<u>(6,879)</u>
Effect of share options exercised	<u>—</u>	<u>5,551</u>
Weighted average number of ordinary shares at 31 December	<u><u>3,022,675</u></u>	<u><u>3,030,997</u></u>

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$785,533,000 (2020: HK\$611,971,000) and the weighted average of 3,031,547,000 ordinary shares (2020: 3,041,974,000 ordinary shares) after adjusting the effect of dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	<b>2021</b> <b>'000</b>	2020 <b>'000</b>
Weighted average number of ordinary shares at 31 December (basic)	<b>3,022,675</b>	3,030,997
Effect of deemed issue of shares under the Company's share option scheme	<b>8,872</b>	10,977
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December (diluted)	<b>3,031,547</b>	3,041,974
	<hr/>	<hr/>

**7. Trade and bills receivables**

	<b>2021</b> <b>HK\$'000</b>	2020 <b>HK\$'000</b>
Trade receivables	<b>1,954,300</b>	1,628,535
Bills receivable	<b>79,910</b>	193,407
	<hr/>	<hr/>
<i>Less: Loss allowance</i>	<b>2,034,210</b> <b>(10,269)</b>	1,821,942 <hr/> (8,629)
	<hr/>	<hr/>
	<b>2,023,941</b>	1,813,313
	<hr/>	<hr/>

All of the trade and bills receivables are expected to be recovered within one year.

Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorses bills receivable to suppliers in order to settle payables.

As at 31 December 2021, the Group endorsed certain bank acceptance bills to suppliers for settling payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. Bills receivable were therefore derecognised.

As at 31 December 2021, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to HK\$623 million (31 December 2020: HK\$480 million).

### *Ageing analysis*

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date is as follows:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Within 3 months	<b>1,278,663</b>	1,241,113
4 to 6 months	<b>476,113</b>	332,059
7 to 12 months	<b>269,828</b>	226,460
1 to 2 years	<b>6,433</b>	22,310
More than 2 years	<b>3,173</b>	—
	<b>2,034,210</b>	1,821,942

### **8. Trade and bills payable**

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Within 3 months	<b>377,575</b>	207,145
4 to 6 months	<b>15,693</b>	20,391
7 to 12 months	<b>4,272</b>	9,528
1 to 3 years	<b>3,194</b>	2,788
More than 3 years	<b>951</b>	710
	<b>401,685</b>	240,562

## 9. Dividends and share capital

### (a) Dividends

(i) *Dividends payable to equity shareholders of the Company attributable to the year:*

	2021 HK\$'000	2020 HK\$'000
Interim dividend declared and paid of HK5.0 cents per ordinary share (2020: HK5.0 cents per ordinary share)	<b>151,305</b>	151,023
Final dividend proposed after the end of the reporting period of HK7.0 cents per ordinary share (2020: HK5.0 cents per ordinary share)	<b>209,453</b>	151,305
	<b>360,758</b>	302,328

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	2021 HK\$'000	2020 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK5.0 cents per share (2020: HK6.0 cents per share)	<b>151,305</b>	181,837

### (b) Share capital

(i) *Issued share capital*

	2021 No. of shares ('000)	2020 No. of shares ('000)
<b>Ordinary shares of HK\$0.02 each, issued and fully paid:</b>		

At 1 January	<b>3,043,727</b>	<b>67,682</b>	3,032,325	67,454
Purchase and cancellation of own shares	<b>(47,038)</b>	<b>(941)</b>	(20,598)	(412)
Shares issued under share option scheme	—	—	32,000	640
	<b>2,996,689</b>	<b>66,741</b>	3,043,727	67,682

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

SSY Group Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the research, development, manufacturing and selling of a wide range of pharmaceutical products, which includes finished medicines of mainly intravenous infusion solution and ampoule injection to hospitals and distributors, bulk pharmaceuticals and medical materials. The Group has manufacturing plants in Hebei Province and Jiangsu Province, the People’s Republic of China (the “PRC”), and sells to customers mainly in the PRC.

For the year ended 31 December 2021, the review on the Group’s business performance and financial performance are contained in the Chairman’s statement under section headed “BUSINESS REVIEW” and in this Management Discussion and Analysis under section headed “FINANCIAL PERFORMANCE REVIEW” respectively. The future development in the Group’s business is discussed in the Chairman’s statement under section headed “PROSPECTS FOR DEVELOPMENT”.

### **FINANCIAL PERFORMANCE REVIEW**

#### **Revenue**

The Group’s intravenous infusion solution products and ampoule injection products are mainly manufactured and sold by Shijiazhuang No. 4 Pharmaceutical Co., Ltd. (“Shijiazhuang No. 4 Pharma”), a wholly-owned subsidiary. There are different forms of packing in intravenous infusion solution products, including Non-PVC Soft Bag, Upright Soft Bag, PP Plastic Bottle and Glass Bottle, while ampoule injection products are mainly small liquid injections in forms of glass and PP plastic. The Group’s bulk pharmaceuticals products are mainly manufactured and sold by Hebei Guolong Pharmaceutical Co., Ltd. (“Hebei Guolong”) and Hebei Guangxiang Pharmaceutical Co., Ltd. (“Hebei Guangxiang”), both subsidiaries in the Group. The Group’s medical materials are mainly manufactured and sold by Jiangsu Best New Medical Material Co., Ltd. (“Jiangsu Best”), a wholly-owned subsidiary in the Group.

Majority of the Group’s sales are conducted in the PRC. During the year 2021, as the novel coronavirus epidemic has been under control in the PRC, the pharmaceutical market has been showing signs of recovery from last year. In terms of Hong Kong dollars (“HK\$”), revenue of the Group for the year ended 31 December 2021 increased by 25.7% to HK\$5,356,763,000 (2020: HK\$4,260,898,000) on a year-to-year basis. Among which, revenue from intravenous infusion solution accounted for HK\$3,304,365,000 (2020: HK\$2,636,995,000), representing an increase of 25.3% on a year-to-year basis. Among which, revenue from Non-PVC Soft Bag and Upright Soft Bag infusion solution were HK\$1,724,474,000 and HK\$587,821,000 respectively, totalling HK\$2,312,295,000, representing 70.0% of the total revenue from intravenous infusion solution and an increase of 36.3% as compared with last year; revenue from PP Plastic Bottle infusion solution was HK\$764,057,000, representing 23.1% of the total revenue from intravenous infusion solution and an increase of 9.6% as compared with last year; revenue from Glass Bottle infusion solution was HK\$228,013,000, representing 6.9% of the total revenue from intravenous infusion solution and a decrease of 6.6% as compared with last year.

On the other hand, the Group has put a lot of effort in product diversification. The Group has been promoting high-end ampoule injections products in view of its high growth potential, as a result, revenue from ampoule injections accounted for HK\$1,093,615,000 (2020: HK\$971,508,000), representing an increase of 12.6% on a year-to-year basis.

Revenue from bulk pharmaceuticals accounted for HK\$533,860,000 (2020: HK\$230,217,000), representing a significant growth of 131.9% as compared with last year mainly due to a recovery growth of market demand for bulk pharmaceuticals and an increase in the utilization in the Group's production capacity in bulk pharmaceuticals.

The Group will keep focusing its production in high quality intravenous infusion solution products such as Non-PVC Soft Bag infusion solution and therapeutic infusion solution. The Group will also keep expanding its market in ampoule injections, bulk pharmaceuticals, oral preparations and new medical material products to drive revenue growth.

Revenue from medical materials products contributed HK\$177,177,000 (2020: HK\$119,319,000) to the Group, representing an increase of 48.5% as compared with last year mainly due to market recovery from last year.

### **Cost of Sales**

During the year ended 31 December 2021, the Group has adopted various cost control measures such as production process optimization, equipment modification and energy conservation. Nevertheless, due to increase in sales volume and under a general trend of rising costs in production, the Group's cost of sales increased by 40.8% to HK\$2,186,517,000 for the year ended 31 December 2021 as compared to last year of HK\$1,552,523,000. The cost of direct materials, direct labour and other costs represented approximately 57.4%, 14.4% and 28.2% of the total cost of sales respectively for the year ended 31 December 2021 while their comparative percentages for 2020 were 54.9%, 16.5% and 28.6% respectively.

### **Gross Profit Margin**

For the year ended 31 December 2021, the Group recorded a total gross profit of HK\$3,170,246,000 (2020: HK\$2,708,375,000). Overall gross profit margin decreased by 4.4 percentage point to 59.2% from that of last year 63.6%, which was mainly due to a general trend of rising costs in production and an increased proportion of revenue from bulk pharmaceuticals which had a lower gross profit margin as compared to finished medicines.

### **Other Income**

For the year ended 31 December 2021, the Group's other income increased to HK\$84,291,000 (2020: HK\$71,717,000) which mainly represented government grants.

## **Selling and Distribution Costs**

For the year ended 31 December 2021, selling and distribution costs amounted to approximately HK\$1,707,028,000 (2020: HK\$1,613,294,000), which was mainly consisted of advertising, marketing and promotion expenses of HK\$1,102,221,000 (2020: HK\$1,131,496,000), transportation cost of approximately HK\$436,043,000 (2020: HK\$360,235,000), as well as salary expenses for sales and marketing staff of approximately HK\$71,614,000 (2020: HK\$63,853,000).

Selling and distribution costs increased by 5.8% for the year ended 31 December 2021 as compared with last year due to increase in sales volume as compared to the year 2020. Such increase was lower than revenue growth as compared with last year because of (i) an increased proportion of revenue from bulk pharmaceuticals which had a lower level of selling costs as compared to finished medicines and (ii) a lower level of promotion expenses of finished medicines.

## **General and Administrative Expenses**

For the year ended 31 December 2021, general and administrative expenses was approximately HK\$309,941,000 (2020: HK\$281,339,000) which mainly comprised salaries expenses for administrative staff of approximately HK\$155,119,000 (including a one-off non-cash expense arising from grant of share options to administrative management staff of approximately HK\$28,161,000) as well as depreciation and amortisation (other than research and development) expenses of approximately HK\$93,344,000.

The increase of 10.2% in general and administrative expenses in year 2021 as compared to that of year 2020 was mainly caused by the one-off expense from grant of share options during the year ended 31 December 2021 whereas there was no grant of share options during the year 2020.

## **Research and Development Cost**

For the year ended 31 December 2021, research and development costs amounted to HK\$247,992,000 (2020: HK\$126,901,000), which comprised salaries expenses for research and development staff of approximately HK\$122,858,000 as well as depreciation and amortisation expenses of approximately HK\$39,224,000.

Research and development cost increased significantly by 95.4% for the year ended 31 December 2021 as compared with last year. Undergoing the process of enterprise transformation and product diversification, the Group expanded and expedited the research and development of new products in drug preparations, bulk pharmaceuticals as well as medical materials. Furthermore, a one-off non-cash expense arising from grant of share options to R&D management staff during the year ended 31 December 2021 of approximately HK\$36,878,000 (2020: nil) has resulted in the increase in research and development costs.

## **Profit from Operations**

For the year ended 31 December 2021, the Group's profit from operations amounted to HK\$988,085,000, representing an increase of 30.2% as compared to HK\$758,882,000 in year 2020. The operating profit margin (defined as operating profit divided by total revenue) increased to 18.4% as compared to 17.8% in year 2020.

## **Finance Costs – Net**

The Group's net finance costs, costs, which represented mainly interest expenses of bank borrowings and foreign exchange loss less interest income on bank deposits, increased by 34.0% to HK\$45,114,000 for the year ended 31 December 2021 (2020: HK\$33,667,000) mainly due to a higher level of the Group's bank borrowings.

## **Income Tax Expense**

The Group believes that Shijiazhuang No. 4 Pharma, Jiangsu Best, Hebei Guangxiang, Hebei Guolong and Hebei Hanlin Biotechnology Co., Ltd. have been certified as High and New Technology Enterprises and thus subject to a reduced corporate income tax of 15% in the PRC for year 2021. For the year ended 31 December 2021, the income tax expense of the Group increased by 40.0% to HK\$160,104,000 (2020: HK\$114,396,000) mainly due to a higher profit before taxation of the Group.

## **Profit Attributable to Equity Shareholders**

For the year ended 31 December 2021, profit attributable to equity shareholders of the Company increased by 28.4% to HK\$785,533,000 (2020: HK\$611,971,000), with net profit margin (defined as profit attributable to equity shareholders of the Company divided by total revenue) increased from 14.4% last year to 14.7% this year.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group primarily finances its working capital and other capital requirements by net cash generated from operating activities and resorts to external financing including both long-term and short-term bank borrowings from time to time in case the projected operating cash flow is insufficient to meet the capital requirements.

As at 31 December 2021, the Group's cash and cash equivalents increased to HK\$1,661,736,000 (31 December 2020: HK\$1,445,905,000), mostly were denominated in Renminbi ("RMB").

As at 31 December 2021, the Group's bank borrowings amounted to HK\$3,103,195,000 (2020: HK\$2,427,072,000), comprising HK\$1,700,772,000 (2020: HK\$1,082,411,000) of borrowings denominated in RMB and HK\$1,402,423,000 (2020: HK\$1,344,661,000) in Hong Kong dollars. As at 31 December 2021, all of the Group's bank borrowings were repayable within 5 years, mostly bearing interest at variable rates.

Gearing ratio (defined as bank borrowings and lease liabilities less cash and cash equivalents divided by total capital less non-controlling interests) increased from 14.9% as at 31 December 2020 to 18.9% as at 31 December 2021 mainly due to a higher level of the Group's bank borrowings. Current ratio (defined as current assets divided by current liabilities) further improved from 2.01 as at 31 December 2020 to 2.04 as at 31 December 2021.

As at 31 December 2021, the Group's total capital commitments outstanding but not provided for was HK\$589,477,000 (31 December 2020: HK\$477,237,000).

Overall, the Group continued to maintain a sound liquidity position, a sufficient working capital level and a low-risk capital structure in view of the Group's operation needs and capital commitments.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2021, the Group had approximately 4,800 employees (2020: 4,700 employees), most of whom were based in the PRC. The remuneration policy of employees other than executive Directors and senior management is based on industry practice and is periodically reviewed by executive Directors or senior management. Apart from social insurance and in-house training programmes, other kinds of remuneration such as discretionary bonuses, share options under the Share Option Scheme and shares granted under the Restricted Share Award Scheme may be awarded to eligible employees according to the assessment of individual performance. Please refer details of the Share Option Scheme and the Restricted Share Award Scheme to the respective sections.

The total remuneration cost incurred by the Group for year ended 31 December 2021 was approximately HK\$663,929,000 (2020: HK\$469,423,000) including a one-off non-cash expense of HK\$67,050,000 (2020: nil) arising from grant of share options to management staff of the Group.

## **CHARGE ON ASSETS**

As at 31 December 2021, the Group's right-of-use assets of HK\$54,746,000 (2020: HK\$54,347,000) were pledged as collateral for the Group's certain bank borrowings.

## **FOREIGN EXCHANGE RISK**

Majority of the Group's businesses are operated in the PRC and are denominated in RMB. Except for the foreign currency translation risk arising from the translation into Hong Kong dollars for the financial statements of subsidiaries with the functional currencies of RMB, the Group does not expect any materially adverse effects of the exchange rate fluctuation. Hence, no financial instrument for hedging was employed. Nevertheless, the Group is closely monitoring the financial market and would consider appropriate measures if required.

As at the dates below, the exchange rates of converting HK\$ into RMB (as calculated in HK\$) were:

1 January 2020	0.89578
31 December 2020	0.84164
31 December 2021	0.81760

## **MATERIAL ACQUISITIONS AND DISPOSALS**

On 29 July 2021, the Group entered into an acquisition agreement to purchase 27,661,441 shares (representing 6.1015% of its equity interest as at 29 July 2021) of Cisen Pharmaceutical Co., Ltd. (辰欣藥業股份有限公司), a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange (stock code: 603367), at the total consideration of approximately RMB354 million (i.e. RMB12.80 per share). Please refer to the Company's announcement dated 29 July 2021 for details of the acquisition. Cisen Pharmaceutical Co., Ltd. and its subsidiaries (the "Cisen Pharmaceutical") are principally engaged in the business of research and development, production and sales of pharmaceuticals of mainly chemical preparations, with five major dosage forms among its products: large-volume injections (including non-PVC soft bags, plastic bottles, upright soft bags, glass bottles), freeze-dried powder injections, small-volume injections, tablets form and capsules form. Having considered the business model, financial performance and competitive advantages of the Cisen Pharmaceutical, the Group was optimistic towards the prospects and development of the Cisen Pharmaceutical and was positive about the long term returns from the investment in the Cisen Pharmaceutical. The Group considers that it was a good time to utilize its available capital for investment so as to generate returns in fulfilling its investment objective through the acquisition. During the year ended 31 December 2021, Cisen Pharmaceutical Co., Ltd. was recognized as an investment in associate over which the Group has significant influence, and the Group's share of the Cisen Pharmaceutical's profits was approximately HK\$5,426,000.

Saved as disclosed above, there was no material acquisition or disposal of subsidiary or associate for the year ended 31 December 2021.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group did not have any significant contingent liabilities.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Board considers that purchase of its shares by the Company under suitable market condition and funding arrangement will enhance net asset value and/or earnings per share of the Company, and thus will benefit the Company and the shareholders as a whole. Save for the purchase of 47,038,000 shares which details are set out in the next paragraph, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the year ended 31 December 2021.

During the year ended 31 December 2021, the Company acquired an aggregate of 47,038,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$187,614,000 which details are set out below. As at 31 December 2021, all of the 47,038,000 shares have been cancelled.

Date of the purchases	Total number of the ordinary shares purchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate consideration (HK\$)
13 January 2021	1,972,000	4.12	4.03	8,056,000
14 January 2021	2,710,000	4.26	4.03	11,365,000
15 January 2021	1,450,000	4.34	4.30	6,291,000
18 January 2021	3,510,000	4.37	4.26	15,338,000
19 January 2021	486,000	4.44	4.41	2,163,000
20 January 2021	2,166,000	4.51	4.50	9,794,000
22 January 2021	1,236,000	4.68	4.62	5,770,000
25 January 2021	2,616,000	4.70	4.33	11,665,000
26 January 2021	508,000	4.29	4.28	2,183,000
10 May 2021	350,000	4.78	4.78	1,679,000
11 May 2021	222,000	4.85	4.85	1,081,000
13 May 2021	400,000	5.00	4.99	2,005,000
15 September 2021	1,500,000	4.43	4.37	6,634,000
20 September 2021	700,000	4.28	4.24	2,998,000
24 September 2021	930,000	4.11	4.04	3,799,000
4 October 2021	800,000	3.89	3.84	3,103,000
12 October 2021	2,550,000	3.95	3.87	10,024,000
21 October 2021	2,500,000	4.01	3.92	9,910,000
28 October 2021	2,502,000	3.70	3.63	9,183,000
1 November 2021	1,600,000	3.68	3.65	5,870,000
2 November 2021	1,400,000	3.62	3.56	5,052,000
3 November 2021	1,550,000	3.61	3.57	5,584,000
4 November 2021	1,250,000	3.60	3.57	4,495,000
5 November 2021	2,800,000	3.60	3.51	9,948,000
15 November 2021	1,300,000	3.73	3.67	4,823,000
26 November 2021	2,900,000	3.73	3.69	10,819,000
10 December 2021	2,000,000	3.55	3.48	7,067,000
14 December 2021	2,130,000	3.44	3.38	7,304,000
17 December 2021	1,000,000	3.61	3.58	3,611,000
	<b>47,038,000</b>			<b>187,614,000</b>

## SHARE OPTION SCHEME

As approved by an ordinary resolution passed by the shareholders at the Extraordinary General Meeting held on 20 September 2012, the Board had terminated the old share option scheme adopted on 16 October 2005 and adopted the existing share option scheme (“Share Option Scheme”).

Share Option Scheme is valid and remains in force for a period of 10 years from 20 September 2012 (the “Scheme Period”) unless terminated earlier by shareholders in general meeting. The purpose of Share Option Scheme is to enable the Board to grant share options to the Eligible Person as defined in Share Option Scheme including, among others, the directors, employee or proposed employee, consultants or advisers of or to the Company or its subsidiaries or any entity in which the Group holds an equity interest, as incentives or rewards for their contribution or potential contribution to the development and growth of the Group. The provisions of Share Option Scheme comply with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Pursuant to Share Option Scheme, the offer for grant of options (“Offer”) must be accepted within 30 days inclusive of the day on which such offer was made, with a payment of HK\$1.00 as consideration for the grant. The exercise price of the share option is to be determined by the Board provided always that it shall be at least the higher of (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant provided that the option price per share shall in no event be less than the nominal amount of one share. The share options are exercisable at any time during a period as the Board may determine in granting the share options but in any event shall not exceed 10 years from the date of Offer, subject to the terms and conditions of Share Option Scheme and any conditions of grant as may be stipulated by the Board.

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issuable upon exercise of all options to be granted Share Option Scheme and any other schemes as from the commencement of the Scheme Period must not, in aggregate, exceed 10% of the shares in issue as at 20 September 2012 (the “Scheme Mandate Limit”). The Scheme Mandate Limit may be refreshed at any time by obtaining approval of the shareholders in general meeting provided that the new limit under the refreshed Scheme Mandate Limit must not exceed 10% of the issued share capital of the Company at the date of the shareholders’ approval. The maximum number of shares issued and to be issued upon exercise of the options granted under Share Option Scheme and any other schemes to any of the Eligible Person (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of issued share capital of the Company unless shareholders’ approval is obtained under the terms of Share Option Scheme.

On 19 October 2015, the Company granted a total of 122,000,000 share options to two executive directors of the Company and other management staff of the Group under Share Option Scheme, representing about 4.33% of the issued share capital as at the date immediately before share options were granted. The exercise price was HK\$1.98. The exercisable period was from 19 October 2015 to 18 October 2018. All of the share options granted on 19 October 2015 have been exercised.

On 15 April 2016, the Company granted 122,000,000 share options to Mr. Qu Jiguang, the Chairman and the CEO of the Company, under Share Option Scheme, representing about 4.31% of the issued share capital as at the date immediately before share options were granted. The exercise price was HK\$2.58. The exercisable period was from 15 April 2016 to 14 April 2021. Such grant of share options was approved by the independent shareholders at the annual general meeting held on 27 May 2016. During the year ended 31 December 2020, a total of 32,000,000 share options were exercised by Mr. Qu Jiguang and, as a result, a total of 32,000,000 ordinary shares of the Company was issued. All of the share options granted on 15 April 2016 have been exercised.

The refreshment of Scheme Mandate Limit was approved at the annual general meeting held on 27 May 2016. Upon such approval, the Directors were authorised to grant share options to subscribe up to 10% of the issued share capital as at the date of such approval. Pursuant to the Listing Rules and the Share Option Scheme, share options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised share options) will not be counted for purpose of calculating the Scheme Mandate Limit as refreshed. The limit on the number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No share options may be granted under the Share Option Scheme and any other schemes of the Company if this will result in the limit being exceeded.

On 12 January 2021 (the “Date of Grant”), the Company granted 100,000,000 share options to certain management staff of the Group who were not the Directors of the Company at the Date of Grant under Share Option Scheme, representing approximately 3.285% of the issued share capital as at the date immediately before share options were granted. The exercise price was HK\$4.218. The exercisable period was from 12 January 2021 to 11 January 2026. Subsequent to the Date of Grant, two grantees namely Mr. Meng Guo and Mr. Chow Hing Yeung were appointed as executive directors of the Company on 27 August 2021. During the year ended 31 December 2021 and up to date of this Annual Report, all of the 100,000,000 share options remain outstanding and exercisable.

The movement of total number of share options outstanding is shown as follows:

	2021	2020
Outstanding at the beginning of the year	—	32,000,000
Granted during the year	<b>100,000,000</b>	—
Exercised during the year	—	(32,000,000)
Lapsed during the year	—	—
Outstanding and exercisable at the end of the year	<b>100,000,000</b>	—

The details of share options movements during the year ended 31 December 2021 are shown as follows:

### **Directors of the Company**

Name of Director	Date of grant	Exercise price per share	Exercisable period	Number of share options			
				Outstanding at 1 Jan 2021	Granted during the year	Exercised during the year	Outstanding at 31 Dec 2021
Mr. Meng Guo	12 Jan 2021	HK\$4.218	12 Jan 2021 – 11 Jan 2026	–	20,000,000	–	20,000,000
Mr. Chow Hing Yeung	12 Jan 2021	HK\$4.218	12 Jan 2021 – 11 Jan 2026	–	2,000,000	–	2,000,000

### **Employees (not directors of the Company)**

Date of grant	Exercise price per share	Exercisable period	Number of share options			
			Outstanding at 1 Jan 2021	Granted during the year	Exercised during the year	Outstanding at 31 Dec 2021
12 Jan 2021	HK\$4.218	12 Jan 2021 – 11 Jan 2026	–	78,000,000	–	78,000,000

As at 31 December 2021, the share options granted under Share Option Scheme and remained outstanding had an weighted average exercise price of HK\$4.218 and a remaining contractual life of approximately 4.03 years. Assuming that all share options outstanding as at 31 December 2021 are exercised, the Company will receive proceeds of HK\$421,800,000.

### **RESTRICTED SHARE AWARD SCHEME**

The Company has adopted the Restricted Share Award Scheme on 27 December 2018 (the “Adoption Date”), pursuant to which existing shares will be purchased by the trustee from the market out of cash contributed by the Group and be held on trust for the participants selected by the Board (the “Selected Participants”) until such shares are vested in the relevant Selected Participants in accordance with the terms of the Restricted Share Award Scheme. The purpose and objective of the Restricted Share Award Scheme are to provide the Selected Participants with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Company, and to provide additional incentive for them to achieve performance goals. The Restricted Share Award Scheme shall terminate upon the expiry of the period of 10 years from the Adoption Date.

The Board may, from time to time, at its absolute discretion determine the number of restricted Shares to be granted and select any participant to be a Selected Participant with such vesting conditions as it may deem appropriate under the Restricted Share Award Scheme. Participants of the Restricted Share Award Scheme include any individual being an executive director, employee, officer of the Company or any subsidiary. The maximum number of shares which the trustee may purchase with funds contributed by the Group amounts to 60,280,507 Shares, representing 2% of the Company's issued share capital as at the Adoption Date. The maximum number of shares which may be granted to a Selected Participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company as at the Adoption Date, and the transactions involved shall be in compliance with the requirements of Chapter 14A of the Listing Rules if they fell under the definition of "connected transactions" in Chapter 14A of the Listing Rules.

Since the adoption of the Restricted Share Award Scheme and as at 31 December 2021, no share has been purchased by the trustee and no share has been awarded to any Selected Participants pursuant to the Restricted Share Award Scheme.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that a sufficient public float of more than 25% of the issued capital of the Company has been maintained as at the latest practicable date, being 29 March 2022, and at all times during the year ended 31 December 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2021.

## **CORPORATE GOVERNANCE**

The Board is committed to maintaining a high standard of corporate governance. The Board believes that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests. The Board reviews its corporate governance practices from time to time in order to meet the stakeholders' expectations and comply with the latest regulatory requirements, and to fulfill its commitment to a high standard of corporate governance.

The Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2021, except for the deviation from code provision C.2.1 of the CG code as follows:

Under code provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Qu Jiguang has been appointed as the chairman of the Board, who has the principal role of providing the leadership for and effective running of the Board. In view of the present composition of the Board and the in-depth knowledge of Mr. Qu Jiguang in the Company's operations and pharmaceutical industry, Mr. Qu Jiguang has also assumed the role as the chief executive officer of the Company, who was delegated with the responsibilities to lead the management implementing the business strategies of the Group. The Board believes that it is in the best interest of the Company to vest both roles in Mr. Qu Jiguang, which allows for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2021 in conjunction with the Group's external auditors.

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 the auditor.

## DIVIDENDS

The Company has adopted a dividend policy in which the Board considers paying dividends twice a year, which are interim dividend and final dividend. From time to time, the Board may declare interim dividend. Under normal business conditions, and subject to the approval by the shareholders in a general meeting, the Board may recommend final dividend to maintain a stable dividend payout ratio (defined as the aggregated amount of interim dividend and final dividend in each financial year divided by the Group's audited net profits attributable to the shareholders in that year) but there is no assurance that dividends will be paid in any particular amount for any given period. The Board may also declare special dividends in addition to such dividends, or consider the issuance of bonus shares on a basis permitted by the applicable laws and regulations as it considers appropriate.

For the year ended 31 December 2021, an interim dividend of HK\$0.05 per share was declared on 27 August 2021 and paid on 24 September 2021 (2020: HK\$0.05 per share). The Board recommended a final dividend of HK\$0.07 per share (2020: HK\$0.05 per share) which, together with the interim dividend, will result in total dividends of HK\$0.12 per share for the year ended 31 December 2021 (2020: HK\$0.10 per share). The payment of the final dividend is subject to the approval in the forthcoming annual general meeting.

In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Thursday, 26 May 2022 which is the Record Date for the proposed final dividend. The proposed final dividend is expected to be paid on or about Wednesday, 8 June 2022.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company is scheduled to be held on 23 May 2022. A notice of annual general meeting will be published and despatched in accordance with the requirement of the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 18 May 2022 to Monday, 23 May 2022, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Tuesday, 17 May 2022.

## **PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the Company's website ([www.ssygroup.com.hk](http://www.ssygroup.com.hk)) and on the website of Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2021 annual report containing all the information required by the Listing Rules will be available on the above websites and will be despatched to the shareholders in due course.

Finally, on behalf of the Board, I hereby express our sincere gratitude to our investors and staff for their dedicated support to the Group.

On behalf of the Board

**Qu Jiguang**

*Chairman*

Hong Kong, 29 March 2022

*As at the date of this announcement, the Board comprises Mr. Qu Jiguang, Mr. Su Xuejun, Mr. Meng Guo and Mr. Chow Hing Yeung as executive Directors, Mr. Feng Hao as non-executive Director and Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai as independent non-executive Directors.*