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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)**

## **REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER SALE AND PURCHASE AGREEMENT**

### **REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE MASTER SALE AND PURCHASE AGREEMENT**

Reference is made to the Company's announcement dated 13 December 2023 in relation to, amongst others, the Master Sale and Purchase Agreement entered into between the Company and Sichuan Kelun on 13 December 2023, pursuant to which the Kelun Group has agreed to purchase Material B from the Group for a term commencing from 1 January 2024 and ending on 31 December 2024.

Following the entering into of the Master Sale and Purchase Agreement, the demand for Material B produced by the Group (i.e. pharmaceutical materials used for manufacturing of products of the Kelun Group including but not limited to coextrusion films, rubber plugs and gaskets, and various types of bulk drugs such as azithromycin) has been increasing. In view of a continuous drive in the demand for Material B and the expected increase in Material B to be sold by the Group to the Kelun Group, the Board envisages that the Existing Annual Cap for the year ending 31 December 2024 will not be sufficient to meet the business needs of the Group.

In view of the aforesaid, on 26 July 2024, the Board has resolved to revise the Existing Annual Cap for the year ending 31 December 2024. The terms of the Master Sale and Purchase Agreement shall remain unchanged and in full force and effect.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, according to disclosure of interest filings, Sichuan Kelun is a beneficial holder of 159,870,000 Shares and is through Kelun International interested in 446,852,000 Shares. By virtue of Sichuan Kelun's interests in an aggregate of 606,722,000 Shares (representing approximately 20.43% of the issued share capital of the Company), it is a substantial shareholder of the Company and therefore a connected person under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Revised Annual Cap for the Sale of Materials exceed 0.1% but all are less than 5%, the Sale of Materials (including the Revised Annual Cap) constitutes a continuing connected transaction of the Company and is subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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### **Principal terms of the Master Sale and Purchase Agreement**

Pursuant to the Master Sale and Purchase Agreement, it was agreed that, amongst others, the Kelun Group shall purchase Material B from the Group, on a non-exclusive basis, subject to the entering into of individual implementation contracts as agreed between members of the Group and members of the Kelun Group; for a term from 1 January 2024 to 31 December 2024 (both days inclusive).

## Pricing policies

The unit prices of Material B sold by the Group and purchased by the Kelun Group shall be determined with reference to the prices of relevant comparable materials in the price lists adopted by the Company and generally applicable to all customers of the Company. The unit prices will be formulated with reference to the following factors: (i) the prices of the corresponding types of materials amongst Material B; (ii) the Company's production costs; (iii) the volume of the purchase orders; (iv) the requested packaging requirements; and (v) any other factors affecting prices of Material B.

The unit prices and other terms of the Group's sale of Material B to the Kelun Group shall be no less favourable than those offered by the Group to other independent third-party purchasers in accordance with its price lists generally applicable to all customers.

A management personnel of the Group authorised to approve such transactions will review and compare the unit prices and terms for Material B offered by the Group to the Kelun Group with those in the price lists and at least two recent transaction records of comparable materials offered by the Group to independent third-party customers in the trading database of the Group before entering into individual contracts with the Kelun Group under the Master Sale and Purchase Agreement.

In the event that the unit prices and term for Material B offered by the Group to the Kelun Group are less favourable to the Group than those offered by the Group to independent third-party customers for comparable materials in the price lists and/or trading database, the Group will not enter into such transactions. The Group will at its best effort further negotiate with the Kelun Group for fair and reasonable terms in order to comply with the pricing principles of the Company.

## Revision of Annual Cap and Basis

### *Existing Annual Cap and Actual Transaction Amount*

The Existing Annual Cap for the maximum transaction amounts payable for the year ending 31 December 2024 and the actual transaction amounts paid up to and for the six months ended 30 June 2024 by the Kelun Group to the Group in respect of the purchase of Material B by the Kelun Group from the Group under the Master Sale and Purchase Agreement are set out as follows:

|   | <b>For the year ending<br/>31 December 2024<br/>(RMB)</b>             |
|---|---|
| Maximum transaction amount to be paid by the Kelun Group for the purchase of Material B from the Group (i.e. the Existing Annual Cap) | 58,720,000  |
| Actual transaction amount paid by the Kelun Group for the purchase of Material B from the Group                                       | 40,426,000<br>(Up to and for the<br>six months ended<br>30 June 2024) |

### ***Revised Annual Cap***

The Revised Annual Cap for the maximum transaction amount to be paid by the Kelun Group to the Group in respect of the purchase of Material B by the Kelun Group from the Group under the Master Sale and Purchase Agreement for the year ending 31 December 2024 is set out as follows:

**For the year ending  
31 December 2024**  
*(RMB)*

|  |            |
|--|------------|
| Maximum transaction amount to be paid by the Kelun Group for the purchase of Material B from the Group (i.e. the Revised Annual Cap) | 88,720,000 |
|--|------------|

### ***Basis***

The Revised Annual Cap in respect of the Sale of Materials by the Group has been determined with reference to:

- (i) the historical transaction amounts paid by the Kelun Group for the purchase of Material B from the Group under the 2021 Master Sale and Purchase Agreement for the three years ended 31 December 2023;
- (ii) the actual transaction amount paid by the Kelun Group for the purchase of Material B from the Group under the Master Sale and Purchase Agreement up to and for the six months ended 30 June 2024 of approximately RMB40,426,000, representing approximately 68.85% of the Existing Annual Cap; and the projected annualized transaction amount for the year ending 31 December 2024 of approximately RMB80 million based on the actual transaction amount up to and for the six months ended 30 June 2024;
- (iii) the Kelun Group's estimated demand for Material B for the remaining period of the year ending 31 December 2024, with reference to its expected production capacities for its end products, existing and expected orders of products and expected market demands for the Kelun Group's products. During the first half of 2024, the sales of certain end products of the Kelun Group were better than expected. There was an increased variety and volume of materials provide by the Group to the Kelun Group as compared to the original estimation made in 2023 upon entering into the Master Sale and Purchase Agreement. Having considered the market conditions of the Kelun Group's end products and the updated estimation of Materials B to satisfy the Kelun Group's production needs for the remaining period of 2024, the Group has accordingly revised its sales plan to the Kelun Group;
- (iv) the Group's expected production capacities of Material B for the remaining period of the year ending 31 December 2024;

- (v) the expected unit prices of Material B provided by the Group with reference to prices of comparable materials in the price lists of the Group and relevant market prices; and
- (vi) estimated buffer for fluctuation of market prices and change in specifications.

**Shareholders and potential investors of the Company should note that the above Revised Annual Cap is not intended, and does not purport, to be an indication of the Group's future performance or profitability. Shareholders or potential investors of the Company should not rely on the Revised Annual Cap in deciding how or whether or not to deal in the Shares.**

## **REASONS FOR AND BENEFITS OF THE REVISION OF ANNUAL CAP**

The Sale of Materials has been and will be conducted in the ordinary and usual course of business of the Group and each transaction under the Master Sale and Purchase Agreement will be negotiated on an arm's length basis and be conducted on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties. With the abovementioned pricing policies and internal control measures disclosed below, the terms of the Sale of Materials will be on normal commercial terms, commensurate with prevailing market terms and be no less favourable to the Group than those offered by or to independent third parties.

The Kelun Group's demand for Material B produced by the Group has been increasing. In view of a continuous drive in the demand for Material B and the expected increase in Material B to be sold by the Group to the Kelun Group, the Company envisages that the Existing Annual Cap for the year ending 31 December 2024 will not be sufficient to meet the business needs of the Group. The Board is of the view that the increase in the sale of pharmaceutical materials including but not limited to co-extrusion films, synthetic polyisoprene liners and various types of bulk drugs to the Kelun Group as a result of the revision of the Existing Annual Cap will benefit the Group by providing a secure source of revenue to the Group and enhancing the Group's sales in medical materials and bulk drugs.

The Company considers that the Sale of Materials is in line with the business strategy of the Group, would facilitate and support the growth of the business of the Group, enable the Group to fully leverage on its advantages and to achieve better operating performance, and hence will benefit the future development of the Company.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Master Sale and Purchase Agreement has been entered into in the ordinary and usual course of business of the Group and is on normal commercial terms, and that the Sale of Materials (including the Revised Annual Cap) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Liu Wenjun, a non-executive Director, holds position(s) in Sichuan Kelun, he is deemed or may be perceived to have a material interest in the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the Revised Annual Cap). Accordingly, Mr. Liu Wenjun has abstained from voting on the resolution in connection with the revision of the Existing Annual Cap. Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors have material interest in the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the Revised Annual Cap).

## **INTERNAL CONTROL MEASURES**

In order to safeguard the interests of the Company and the Shareholders as a whole and to ensure that the pricing policies and the annual caps are complied with, the Company has adopted the following internal control measures:

- The Group maintains price lists and a database containing historical transaction records and relevant terms and conditions. The information in the database is obtained in the course of the Group's operations, including information in respect of transactions entered into by different divisions/departments of the Group. The Company will continue to develop and maintain the database so as to include pricing information in relation to materials sold by the Group in the future. Designated personnel of the Group are responsible for the maintenance of the database, and the database is generally updated as soon as practicable after the materialization or consummation of a sales/provision of service transaction. A management personnel of the Group is designated to monitor and supervise the maintenance of the database to ensure that up-to-date records are properly kept. The Company will also conduct random checks on the database so as to ensure that effective and sound internal control measures are in place so that continuing connected transactions with the Kelun Group will be conducted on a fair and reasonable basis.
- The relevant business units and departments of Group will regularly monitor and review the prices/fees of and terms under which continuing connected transactions are conducted with the Kelun Group in order to ensure that such continuing connected transactions are conducted on normal commercial terms, in accordance with the annual caps set by the Company, and the terms are no less favourable to the Group than those available to/from independent third parties. The Company will designate specific personnel from the compliance/internal control department to monitor the continuing connected transactions with the Kelun Group and any irregularities will be reported to the senior management of the Group in a timely manner.
- The Group will conduct regular internal checks to ensure that the internal control measures in respect of the continuing connected transactions with the Kelun Group remain intact and effective.

- The Company's external auditors will annually review the relevant continuing connected transactions with the Kelun Group subject to annual review requirement to check and confirm (amongst others) whether the pricing policies have been adhered to, whether the continuing connected transactions were conducted in accordance with the agreements governing them and whether the relevant annual caps have been exceeded.
- The independent non-executive Directors will annually review the relevant continuing connected transactions with the Kelun Group to check and confirm whether such transactions have been conducted in the ordinary and usual course of business of the Company, on normal commercial terms, in accordance with the agreements governing them, on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions with the Kelun Group are conducted in accordance with the pricing policies adopted by the Group and the annual caps pursuant to the Listing Rules.

## **INFORMATION OF THE PARTIES**

### **Information on the Company**

The Company is a company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the research, development, manufacturing and sales of pharmaceutical products, which include finished medicines, bulk pharmaceuticals and medical materials.

### **Information on the Kelun Group**

Sichuan Kelun is a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ002422). The Kelun Group is principally engaged in the research, development, manufacturing and selling of various pharmaceutical products and materials. As at the date of this announcement, Sichuan Kelun is interested in 606,722,000 Shares (representing approximately 20.43% of the issued share capital of the Company) according to disclosure of interest filings and is therefore a substantial shareholder of the Company. The ultimate beneficial owner of Sichuan Kelun is Mr. Liu Gexin (劉革新).

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, according to disclosure of interest filings, Sichuan Kelun is a beneficial holder of 159,870,000 Shares and is through Kelun International interested in 446,852,000 Shares. By virtue of Sichuan Kelun's interests in an aggregate of 606,722,000 Shares (representing approximately 20.43% of the issued share capital of the Company), it is a substantial shareholder of the Company and therefore a connected person under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Revised Annual Cap for the Sale of Materials exceed 0.1% but all are less than 5%, the Sale of Materials (including the Revised Annual Cap) constitutes a continuing connected transaction of the Company and is subject to the reporting, announcement and annual review requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

|                       |  |
|-----------------------|--|
| “associate(s)”        | has the meaning ascribed to it under the Listing Rules   |
| “Board”               | the board of Directors   |
| “Company”             | SSY Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange  |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules   |
| “Directors”           | the directors of the Company   |
| “Existing Annual Cap” | the existing maximum transaction amount of RMB58,720,000 to be paid by the Kelun Group for the purchase of Material B from the Group under the Master Sale and Purchase Agreement for the year ending 31 December 2024   |
| “Group”               | the Company and its subsidiaries   |
| “Hong Kong”           | the Hong Kong Special Administrative Region of the PRC   |
| “Kelun International” | Kelun International Development Co., Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Sichuan Kelun. As at the date of this announcement, it holds 446,852,000 Shares, representing approximately 15.05% of the issued share capital of the Company according to disclosure of interest filings |
| “Kelun Group”         | Sichuan Kelun and its subsidiaries   |
| “Listing Rules”       | the Rules Governing the Listing of Securities on the Stock Exchange  |



|                                      |  |
|--------------------------------------|--|
| “Master Sale and Purchase Agreement” | the master sale and purchase agreement dated 13 December 2023 entered into between the Company and Sichuan Kelun, pursuant to which, amongst others, members of the Kelun Group has agreed to purchase Material B from members of the Group  |
| “Material B”                         | pharmaceutical materials used for manufacturing of products of the Kelun Group including but not limited to coextrusion films, rubber plugs, gaskets and bulk drugs such as azithromycin   |
| “PRC”                                | the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan Region)  |
| “Revised Annual Cap”                 | the revised maximum transaction amount of RMB88,720,000 payable by the Kelun Group for the purchase of Material B from the Group under the Master Sale and Purchase Agreement for the year ending 31 December 2024   |
| “RMB”                                | Renminbi, the lawful currency of the PRC   |
| “Sale of Materials”                  | the sale of Material B by the Group to the Kelun Group as contemplated under the Master Sale and Purchase Agreement  |
| “Shares”                             | the ordinary share(s) of HK\$0.02 each of the Company  |
| “Shareholders”                       | holders of the Shares  |
| “Sichuan Kelun”                      | 四川科倫藥業股份有限公司(Sichuan Kelun Pharmaceutical Company Limited*), a limited liability company established in the PRC with limited liability. As at the date of this announcement, it is interested in 606,722,000 Shares, representing approximately 20.43% of the issued share capital of the Company according to disclosure of interest filings, and is hence a substantial shareholder of the Company |
| “Stock Exchange”                     | The Stock Exchange of Hong Kong Limited  |
| “substantial shareholder”            | has the meaning ascribed to it under the Listing Rules   |
| “subsidiary(ies)”                    | has the meaning ascribed to it under the Listing Rules   |

“%” per cent.

“2021 Master Sale and Purchase Agreement” a master sale and purchase agreement dated 14 April 2021 entered into between the Company and Sichuan Kelun in relation to the continuing connected transactions contemplated thereunder

By Order of the Board  
**Chow Hing Yeung**  
*Executive Director and Company Secretary*

Hong Kong, 26 July 2024

*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. Liu Wenjun as non-executive Director, and Mr. Wang Yibing, Mr. Chow Kwok Wai and Mr. Jiang Guangce as independent non-executive Directors.*

\* *For identification purpose only*