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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of SSY Group Limited (the "Company"), I hereby present the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2024 (the "first half of the year").

I. RESULT AND DIVIDEND DISTRIBUTION

In the first half of 2024, while the domestic economy rebounded and improved, many difficulties such as tough and complex external environment, insufficient economic vitality and higher operational risks still emerged. In response to the various challenges in the domestic and overseas pharmaceutical markets, the Group actively faced difficulties, proactively accelerated the optimization and adjustment of its product mix, strived to expand effective demand and supply, and continued to enhance its resilience, with the Group's overall operation achieving progress amidst stability.

During the first half of the year, the Group achieved a revenue of approximately RMB3,034 million, representing an increase of approximately 2.4% as compared to the corresponding period of last year. In terms of Hong Kong dollars, the Group's sales revenue was approximately HK$3,339 million in the first half of the year, representing an increase of approximately 0.2% as compared to corresponding period of last year. The Group achieved a net profit of approximately HK$686 million, representing an increase of approximately 7.4% as compared to the corresponding period of last year. The Board resolved to pay an interim dividend of HK$0.08 per share on 27 September 2024 to the shareholders named in the register of members of the Company on 13 September 2024, which represented an increase of 14.3% as compared to the corresponding period of last year.

II BUSINESS REVIEW

(1) Sales of Products

	For the six months ended 30 June				
	2024		2023		
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue	Increase/ (Decrease)
	HK$'000	***%***	*HK$'000*	*%*	*%*
Intravenous infusion solution and others	**3,244,459**	**97.2**	3,243,090	97.3	–
(Including: Non-PVC soft bag & upright soft bag infusion solution	**1,657,239**	**49.6**	1,526,497	45.8	8.6
PP plastic bottle infusion solution	**435,357**	**13.1**	424,088	12.7	2.7
Glass bottle infusion solution	**92,767**	**2.8**	118,530	3.6	(21.7)
Ampoule injection	**366,785**	**11.0**	453,398	13.6	(19.1)
Bulk pharmaceuticals	**398,786**	**11.9**	453,626	13.6	(12.1)
Oral preparations	**254,365**	**7.6**	244,391	7.3	4.1
Others)	**39,160**	**1.2**	22,560	0.7	73.6
Medical materials	**94,480**	**2.8**	90,067	2.7	4.9
Total	**3,338,939**	**100.0**	3,333,157	100.0	0.2

In the first half of 2024, the Group combined the conditions of product iteration and innovation, seized policy and market opportunities, optimized market deployment, integrated marketing channels and tapped into market potential. By accelerating market access, enhancing the production capacity of key products and optimizing the product line matching, the Group aims to transform the enterprises innovation, cost and quality advantages into market and development advantages, which drive the improvement of the Group's operational quality and efficiency, and provide assurance for the realization of its targets.

The Group insisted on prioritizing market access, actively participated in national and local centralised procurement, and promoted the volume growth of key products and the market share of major products. In the first half of the year, the Group participated in more than 500 centralised tenders procurement renewal and hospital tenders of medicines, including national centralised procurement and provincial alliances. In the procurement renewal after the expiration of the national centralised procurement agreement, 13 products including Azithromycin Tablets as well as Linezolid and Glucose Injection won the bid. In the procurement of the Beijing-Tianjin-Hebei "3+N" provincial pharmaceutical centralised procurement alliance, the Group demonstrated a clear advantage in winning bids, making it one of the enterprises with the largest market share for selected products. At the same time, we efficiently facilitated the market access for new products. Sodium Bicarbonate Ringer's Injection has completed market access in 32 provinces, autonomous regions and municipalities, while 10 products, including Ropivacaine Hydrochloride and Sodium Chloride Injection and Nicorandil for Injection, have completed market access in over 15 provinces. The coverage of new products has been continuously enhanced.

In terms of the infusion business, the Group achieved sales revenue of HK$2,185 million, representing an increase of 5.6% compared to corresponding period of last year; sales volume reached 1,139 million bottles (bags), representing an increase of 21.7% compared to corresponding period of last year. Benefiting from factors such as the expansion of area of centralised procurement bid renewal and continuous market recovery, the production and sales advantages were continuously released and the proportion of therapeutic varieties increased amidst stability during the period. Key therapeutic infusion products achieved sales volume of 149 million bottles (bags), representing an increase of 34% compared to the corresponding period of last year, and achieved a revenue of HK$550 million. Among which, sales volume of Ambroxol and Sodium Chloride Injection reached 22,090,000 bottles (bags), representing an increase of 135% as compared to corresponding period of last year; sales volume of Mannitol Injection reached 21,070,000 bottles (bags), representing an increase of 70% as compared to corresponding period of last year; sales volume of Levofloxacin Lactate Injection and its Sodium Chloride Injection reached 20,480,000 bottles (bags), representing an increase of 34% as compared to corresponding period of last year; sales volume of Moxifloxacin Hydrochloride and Sodium Chloride Injection reached 12,010,000 bags, representing an increase of 72% as compared to corresponding period of last year. In addition, the sales volume of Peritoneal Dialysis Solution reached 3,880,000 bags, representing an increase of 83% as compared to corresponding period of last year, achieving continuous growth.

In terms of the ampoule injection business, by leveraging the implementation of national procurement bid winning products such as Urapidil Hydrochlorides Injection, Tedizolid Phosphate for Injection and Citicoline Sodium Injection, the new market was effectively stimulated to speed up its breakthrough, which promote the continuous growth in production and sales of ampoule injections. In the first half of the year, sales volume of ampoule injections was 166,570,000, representing an increase of 27% compared to the corresponding period of last year; with a revenue reached HK$367 million, representing a decrease of 19.1% compared to the corresponding period of last year. Among which, the sales volume of Urapidil Hydrochloride Injection, a product that won the bid in National Centralised Procurement, reached 5,020,000, achieving faster growth; the sales volume of Ambroxol Hydrochloride Injection reached 36,790,000, representing an increase of 19% compared to the corresponding period of last year; the sales volume of Doxofylline Injection reached 15,260,000, representing an increase of 31% compared to the corresponding period of last year; the sales volume of Betahistine Hydrochloride Injection reached 12,940,000, representing an increase of 41% compared to the corresponding period of last year.

In terms of oral preparations business, the variety of oral preparations that have passed evaluations is increasingly abundant, continuously providing new market opportunities for the Group. By relying on national and local centralised procurement and commercial chain cooperation, and through strengthening professional promotion and servicing niche market, the existing market has been effectively consolidated, and the new market for key oral products and new products has accelerated its formation. In the first half of the year, the sales volume of oral preparations reached 800,900,000 tablets (capsules, bags), representing an increase of 8% compared to the corresponding period of last year. The sales reached 254 million, representing an increase of 4.1% compared to the corresponding period of last year. Among which, Cefdinir Capsule achieved sales of 111,710,000 capsules, representing an increase of 33.7% compared to the corresponding period of last year, exceeding the national procurement target; Felodipine Sustained-release Tablets achieved sales of 72,620,000 tablets, representing an increase of 106% compared to the corresponding period of last year; Rosuvastatin Calcium tablet achieved sales of 66,950,000 tablets, representing an increase of 128% compared to the corresponding period of last year; Azithromycin dispersible tablets achieved sales of 60,070,000 tablets, representing an increase of 73% compared to the corresponding period of last year; Azithromycin Dry Suspension achieved sales of 53,220,000 bags, representing an increase of 962% compared to the corresponding period of last year.

In terms of the bulk pharmaceuticals business, during the first half of the year, the Group overcame inhibitory factors such as insufficient global economic vitality, weak market demand and declining product prices. By actively implementing carbon footprint certification and participating in globally renowned industry exhibitions such as CPHI Shanghai, Expo ANTAD & Alimentaria México, CPHI Japan and Natural Products Expo West in the United States, the Group adopted multiple strategies to continuously deepen connectivity with international customers. This helped consolidate existing markets and accelerate the expansion of new markets and new customers for key bulk pharmaceuticals such as Caffeine, Theophylline and Azithromycin. During the period, the Group has 32 new international customers for bulk pharmaceuticals, gradually expanding its international customer base in regions such as Europe, America and Asia, effectively driving the sales of bulk pharmaceuticals to stabilize and improve. In the first half of the year, as affected by the low price movement of Caffeine, external sales of bulk pharmaceuticals reached HK$399 million, representing a decrease of 12.1% compared to the corresponding period of last year. External sales volume of Caffeine outside the Group reached 2,521 tonnes, representing an increase of 28% compared to the corresponding period of last year. External sales volume of Theophylline outside the Group reached 136 tonnes, representing an increase of 37% compared to the corresponding period of last year. External sales volume of Azithromycin outside the Group reached 154 tonnes, representing an increase of 34% compared to the corresponding period of last year.

The integrated development of "bulk pharmaceuticals + preparations". In the first half of the year, the Group successively obtained approvals and commercialized 14 specialized bulk pharmaceuticals, including Rasagiline Mesylate, Lidocaine Hydrochloride, Isoprenaline Hydrochloride, Norepinephrine Bitartrate, Benserazide Hydrochloride, Dapagliflozin, Trelagliptin Succinate and Butylphthalide. This not only ensured a smooth supply for industrial chain and the Group's relevant preparations product pipeline but also continuously injected new momentum into the future development of the Group's bulk pharmaceuticals business. The corresponding preparations for integrated development such as Rasagiline Mesylate Tablets, Dapagliflozin Tablets and Isoprenaline Hydrochloride Injection have been approved and launched to the market.

In terms of the export business of preparations, faced with multiple constraints such as the global economic downturn and the slowdown in international market demand, the Group accelerated its pace of "going out", effectively ensured the overall stability of the existing business of the foreign trade of preparations. During the first half of the year, the export volume of infusion solutions reached 51,720,000 bottles (bags). The export revenue of infusion solutions reached HK$77,620,000. In the first half of the year, the Group passed quality certifications or audits from 6 domestic and international organizations, completed overseas registration for 17 product specifications and developed 13 new customers. Currently, a total of 37 products with 84 specifications are exported to over 100 countries and regions worldwide.

In terms of the medical materials business, Jiangsu Best New Medical Material continued to strengthen the ancillary capacity of the production chain, achieving new improvements in the market penetration and coverage of major medical materials products such as butyl rubber stoppers, gaskets and multi-layer co-extrusion films. In the first half of the year, Jiangsu Best New Medical Material recorded external revenue of HK$94,480,000, representing an increase of 4.9% compared to the corresponding period of last year. The newly developed products, such as the brominated isobutylene-isoprene rubber combination seal for pen injectors, X13B insulin liners, high-breathing cell culture bag films and stem cell cryopreservation bag films, have formed sales and become new highlights in operations.

(2) Research and Development of New Products

The Group is firmly implementing the innovation and development strategy of "combination of generic and innovative drugs", proactively constructing an innovative research and development high-energy ecosystem around the fields of anti-viral, anti-bacterial, anti-tumour, nervous system, cardiovascular, digestive and anaesthesia, focusing on the iterative development of high-end complex featured generic drugs, innovative drugs, bulk pharmaceuticals and medical materials, continuously empowering the Group to achieve quality improvement and profitability enhancement.

During the first half of the year, 43 new types of preparations and bulk pharmaceuticals were approved, including 29 types of preparations and 14 types of bulk pharmaceuticals; 51 applications for market entrance were submitted, including 39 types of preparations and 12 types of bulk pharmaceuticals. The Group's research and development quality has surpassed the level of the corresponding period of last year, with product pipelines and technical levels accelerating their improvement. The proportion of high-end complex preparation in the submitted application has significantly increased, and the influence of innovation in the industry continued to increase.

In terms of the development of featured generic drugs, during the first half of the year, among the 29 approved preparations varieties, 18 are injection solutions and 11 are oral preparations, showcasing a diverse range of dosage forms and prominent market advantages. Among which, 3 types including Linezolid for Oral Suspension, Sodium Bicarbonate Injection (50 ml) and Levodopa-Carbidopa Sustained-release Tablets was the first generic drug of its type in China; 6 types including Cefuroxime Axetil for Suspension, Isoprenaline Hydrochloride Injection, Amlodipine Besylate Tablets, Chlorphenamine Maleate Injection, Multiple Electrolytes Injection and Paracetamol and Mannitol Injection were the second of such approvals in China. Among the first generic drug type in China, Linezolid for Oral Suspension provides a significant advantage in pediatric preparations and offers a preferred medication option for the treatment of pediatric pneumonia. Currently, the Group has completed the integrated research and development deployment of Linezolid from bulk pharmaceuticals to Linezolid and Sodium Chloride Injection, Linezolid and Glucose Injection as well as Linezolid for Oral Suspension, gaining an initiative in deepening its market presence. The first domestic generic of Levodopa-Carbidopa Sustained-release Tablets is a levodopa and carbidopa combination drug for the treatment of Parkinson's disease. There are

no equivalent alternative drugs of original drug in China. The Group was the first to successfully developed its generic drug over a period of two and a half years, which will effectively improve the medication needs of Parkinson's disease patients and comprehensively enhance the accessibility of the drug in the domestic market. Among the second batch of domestically approved products, Cefuroxime Axetil for Suspension is a new achievement in the Group's differentiated development of pediatric medications. It has initially formed a product group for pediatric medications represented by Stiripentol for Suspension, Linezolid for Oral Suspension, Oseltamivir Phosphate for Suspension, Azithromycin for Suspension and Cefaclor for Suspension. In addition, the 4 types including Ropivacaine Hydrochloride and Sodium Chloride Injection, Entacapone Tablets, Esmolol Hydrochloride and Sodium Chloride Injection and Etomidate Medium and Long Chain Fat Emulsion Injection were the third of such approvals in China. Among which, Etomidate Medium and Long Chain Fat Emulsion Injection is another achievement made by the Group in the development of high-end complex preparations and anesthesia drugs following Propofol Medium and Long Chain Fat Emulsion Injection. Currently, the anesthetic drugs developed by the Group, including Propofol Medium and Long Chain Fat Emulsion Injection, Ropivacaine Hydrochloride and Sodium Chloride Injection and Lidocaine Hydrochloride Injection, have gradually formed a series and demonstrated strong competitiveness in the market. The variety of approved products expanded and accelerated, as of the end of June 2024, a total of 94 product types with 126 specifications have passed or were regarded as passing the consistency evaluation, forming a unique product chain deployment and market competitive advantage in the industry.

In terms of development of bulk pharmaceuticals, the Group implements an integrated development strategy of "bulk pharmaceuticals + preparations" to meet its own and the industry chain's needs, strengthen cost control, and enhanced the self-controllable level of the industry chain and supply chain in the bulk pharmaceuticals industry. Under the requirements of green and low-carbon initiatives, the Group promotes technological innovation and industrial upgrading, with positive effects demonstrated. In the first half of the year, the Group obtained approvals for 14 featured bulk pharmaceuticals, achieved remarkable results, continuously enhancing its attractiveness in the domestic and international markets. With the approval of bulk pharmaceuticals for emergency drugs such as Isoprenaline Hydrochloride, Norepinephrine Bitartrate and Adrenaline, as well as the imminent approval of Phenylephrine Hydrochloride bulk pharmaceuticals, the Group will further enhance its coverage capability in the emergency bulk pharmaceuticals market. To further enhance its influence in the bulk pharmaceuticals industry, the Group is currently actively promoting the construction of a branch centre of the Bulk Pharmaceuticals National Enterprise Technology Center of Hebei Guangxiang Pharmaceutical Co., Ltd.

In terms of research of innovative drugs, the Group's self-developed anti-pulmonary hypertension Type I innovative drug SYN045 has already started Phase I clinical trials, which are expected to conclude by the end of 2024. Current clinical research results demonstrated favourable observations in terms of tolerability and safety, meeting research expectations; Phase I clinical trial regarding anti-liver fibrosis Type I chemical innovative drug ADN-9 will apply for Phase I clinical trials as soon as possible.

Regarding the development of complex preparations drugs, in terms of solid preparations, the Group has established a mature platform for sustained release and osmotic pump technology, and has successively developed a number of preparations projects that are technically challenging and have high industrialization thresholds. The Group is the first company to submit the varieties like Rosuvastatin Ezetimibe Tablets (I) and Urapidil Sustained-release Capsules. During the period, the Group had several compound preparations and sustained-release preparations approved, including Valsartan and Amlodipine Tablets, Levodopa-Carbidopa Sustained-release Tablets, Nifedipine Sustained-release Tablets and Felodipine Sustained-release Tablets, which fully demonstrate the strong technical advantages in the areas of compound preparations and sustained-release preparations. At the same time, the Group has conducted extensive research in areas such as emulsions, nano-suspension injectable and inhalable preparations, and liposomes. Relying on its own established therapeutic emulsion technology platform and liposome technology platform, the first fat emulsion ampoule injection product, Propofol Medium and Long Chain Fat Emulsion Injection was approved during the period, Etomidate Medium and Long Chain Fat Emulsion Injection was also approved in July 2024, and two types of Lipid-Soluble Vitamin Injection (I) (II) have recently achieved the first and exclusive submission. Meanwhile, the liposomal doxorubicin hydrochloride injection developed using nanotechnology, which can be used as a first-line systemic chemotherapy drug and adopts the ammonium sulphate gradient method to encapsulate doxorubicin hydrochloride in PEGylated liposomes to form a special injection, is expected to be submitted in March 2025. In addition, Mannitol Sorbitol Injection has also been approved for carrying out the clinical trials on drug validation.

In terms of the development of medical materials, biotechnology and medical device products, during the period, the Group established the industry's first research institute for medical materials focused on the research and development of new medical materials using rubber and plastic at Jiangsu Best New Medical Material. It was recognized by the Jiangsu Provincial Development and Reform Commission and the Taizhou Municipal Science and Technology Bureau as the "Provincial Engineering Research Centre for Medical Polymer Materials" and "Municipal Key Laboratory", respectively. With the help of the innovative platform, the Group participated in the formulation of three industry standards: Technical Specification of Polyisobutylene-based Polymers for Pharmaceutical Rubber Closures, Controllable Additives Used in Plastic Pharmaceutical Packaging Materials and Application Guidance, and Quality Agreement Management Guidelines for Pharmaceutical Packaging Materials. At the same time, the Group has made positive progress in the research and development of Class II and III dressings, as well as immunodiagnostics and external point-of-care testing diagnostic reagents. Four Class II medical devices, including medical liquid dressing, medical gynecological gel, medical sterile ultrasound gel and sterile saline nasal mist, have successively obtained registration approvals.

In terms of intellectual property work, during the first half of the year, the Group applied for 45 patents, including 30 invention patents; and was authorized 22 patents, including 16 invention patents. As at the end of June 2024, the Group has cumulatively been authorized a total of 294 patents, including 157 invention patents, of which 151 are domestic invention patents and 6 are international invention patents.

(3) Development of Projects

In line with its own development needs, the Group closely follows the pace of research and development in project construction, aiming for breakthroughs in building smart workshops and set the "lighthouse factory" as its goal. The Group continuously accelerates the pace of digital transformation and coordinates the progress of infrastructure project construction, enabling more innovative achievements to be rapidly industrialized.

During the first half of the year, the Group coordinated and pushed forward the construction progress in a sustainable development way, including the new PP plastic bottle infusion production line, the double-chambers-bag infusion production line, the hormone "blow-fill-seal" integrated aseptic filling production line, specialized oral solid preparation production line, and the high-end bulk pharmaceuticals green intelligent manufacturing project, with conditions for equipment installation or calibration expected to be met within the year.

III. PROSPECTS FOR DEVELOPMENT

Looking ahead to the second half of 2024, the Group will actively respond to the new trends and new environment of the pharmaceutical industry, continue to develop the integration of innovation chain, product chain, supply chain and value chain, facilitate a more flexible dual circulation of domestic and international markets, maintain a relatively robust development momentum, and strive for a better performance result.

(1) A multi-faceted approach will be adopted to consolidate and expand the advantages in preparations development. Firstly, we will take into account the current changes in the pharmaceutical market and policies to improve and perfect the marketing management system and operation mechanism. Secondly, we will fully leverage the role of various levels and types of centralized procurement. By deepening the "Year of Quality Improvement" initiative, we will focus on the advantageous product markets of infusion solutions, liquid injections and oral preparations, continuously expanding market size and market share, ensuring the sustained growth of infusion production and sales. Thirdly, we will step up effort to ensure the market development of key products and new products of high value-added preparations, actively cultivate large varieties with revenue exceeding RMB100 million, further expand the proportion of production and sales of high value-added products, enhance the contribution rate of new products, and transform the innovation advantages of the Group into market and efficiency advantages. Fourthly, we will strengthen the assessment of policies and competitive environment, and strive for more market opportunities for the Group's relevant product types that have passed the consistency evaluations.

(2) Various measures will be taken to enhance the operational quality and efficiency of bulk pharmaceuticals. We will continue to improve the product mix, accelerate the transformation and implementation of new products, further optimize processes, enhance quality, and reduce costs, tap into the market potential of commodity bulk pharmaceuticals such as Caffeine, Theophylline and Azithromycin in America, Europe, South Asia and Southeast Asia, and improve the level of international operations. At the same time, we will closely link the relationship between preparation enterprises and the Group's bulk pharmaceutical supply, highlight the integrated development features of "bulk pharmaceuticals + preparations", better meet domestic market demands and continuously enhance the resilience and vitality of the development of bulk pharmaceuticals.

(3) The pace of research and development innovation will be continuously accelerated. In the second half of the year, we will continue to advance the progress of ongoing projects, maintaining advantages in the number, quality, and efficiency of approvals and submissions. At the same time, leveraging the Group's flexible talent mechanism and cooperation mechanism with universities and research institutes, we will scientifically organize and plan for the research and development varieties, explore more high-quality research projects, continuously enhance our research and development capabilities, and accelerate the transformation towards specialized high-end complex preparations, innovative drugs, and specialized bulk pharmaceuticals. In the second half of the year, it is expected to obtain approvals of preparations and bulk pharmaceuticals of 28 types, including liquid preparations of 14 types with 17 specifications, oral preparations of 9 types with 10 specifications, and bulk pharmaceuticals of 5 types. It is planned to apply for market entrance approval for 52 types, including 24 products of liquid preparations, 16 products of solid preparations, and 12 bulk pharmaceuticals, striving to achieve new breakthroughs, make new progress, and create new results in key research and development projects such as in high-end complex preparations, innovative drugs and medical materials. In addition, the Group will strengthen the connection between its research & development and translation into products, striving to create development with high-quality new products, allowing enterprises in ascending to the middle to high ends of the value chain through innovations results.

(4) The construction of new and on-going projects will be coordinated and pushed forward. Project construction is an important foundation and guarantee for transforming innovative advantages into market and development advantages. In the second half of the year, the Group will focus on the integrated development of "bulk pharmaceuticals + preparations" based on actual conditions, combine with market development situations, coordinate and optimize project investments, push forward the construction of ongoing projects to strive for early construction completion, early production commencement and early results achievement, and continuously build up the momentum for the sustainable development of the Group.

Facing the severe economic situation, the Group will strive to take on the initiative of development, maintain the resilience and vitality of innovative development, and promote high-quality development of the enterprise with concrete actions. We firmly believe that with our advantages in scale, quality, management and branding built up in the industry over the years, and with our continuously accelerating innovative momentum, we will bring satisfactory returns to our investors with more solid development results.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 (unaudited)
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2024	2023
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**3,338,939**	3,333,157
Cost of sales		**(1,495,484)**	(1,388,406)
Gross profit		**1,843,455**	1,944,751
Other net income		**51,519**	45,301
Selling and distribution costs		**(758,055)**	(920,785)
General and administrative expenses		**(140,373)**	(137,699)
Research and development costs		**(136,516)**	(138,748)
Impairment losses on trade, bills and other receivables		**(138)**	(336)
Other operating expenses		**(10,609)**	–
Profit from operations		**849,283**	792,484
Finance income		**23,769**	24,790
Finance costs		**(63,163)**	(60,748)
Finance costs – net	*4(a)*	**(39,394)**	(35,958)
Share of profit of an associate		**13,762**	14,173
Profit before taxation	*4*	**823,651**	770,699
Income tax	*5*	**(125,865)**	(121,194)
Profit for the period		**697,786**	649,505
Other comprehensive income for the period, net of nil tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**(67,494)**	(261,968)
Other comprehensive income for the period		**(67,494)**	(261,968)
Total comprehensive income for the period		**630,292**	387,537

	Note	Six months ended 30 June **2024** ***HK$'000***	 2023 *HK$'000*
Profit attributable to:			
Equity shareholders of the Company		**685,737**	638,611
Non-controlling interests		**12,049**	10,894
Profit for the period		**697,786**	649,505
Total comprehensive income attributable to:			
Equity shareholders of the Company		**620,566**	387,382
Non-controlling interests		**9,726**	155
Total comprehensive income for the period		**630,292**	387,537
Earnings per share			
Basic	*6(a)*	**HK$0.2312**	HK$0.2149
Diluted	*6(b)*	**HK$0.2305**	HK$0.2139

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 (unaudited)

(Expressed in Hong Kong dollars)

	Note	At 30 June 2024		At 31 December 2023	
		HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment			**5,046,504**		4,667,750
Right-of-use assets			**391,647**		385,362
Intangible assets			**1,201,166**		1,157,425
Interest in an associate			**420,179**		422,681
Deferred tax assets			**45,890**		37,880
Pledged bank deposits and time deposits			**170,320**		171,121
			7,275,706		6,842,219
Current assets					
Inventories		**1,142,928**		1,086,282	
Trade and bills receivables	*7*	**2,222,104**		2,177,050	
Prepayments, deposits and other receivables		**209,049**		199,117	
Income tax recoverable		**26,188**		–	
Trading securities		**41,739**		–	
Pledged bank deposits and time deposits		**66,432**		46,460	
Cash and cash equivalents		**1,564,535**		1,615,208	
		5,272,975		5,124,117	
Current liabilities					
Borrowings		**895,003**		1,420,573	
Trade and bills payables	*8*	**450,408**		407,929	
Contract liabilities		**46,726**		70,378	
Lease liabilities		**2,235**		2,188	
Accruals and other payables		**604,530**		543,211	
Income tax payable		**6,585**		77,161	
		2,005,487		2,521,440	
Net current assets			**3,267,488**		2,602,677
Total assets less current liabilities			**10,543,194**		9,444,896

	Note	At 30 June 2024		At 31 December 2023	
		HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Non-current liabilities					
Borrowings		**2,712,502**		1,947,568	
Lease liabilities		**2,630**		3,759	
Deferred tax liabilities		**17,941**		21,163	
Deferred revenue		**240,367**		203,714	
			2,973,440		2,176,204
NET ASSETS			**7,569,754**		7,268,692
CAPITAL AND RESERVES	*9*				
Share capital			**66,188**		66,188
Reserves			**7,185,992**		6,866,346
Total equity attributable to equity shareholders of the Company			**7,252,180**		6,932,534
Non-controlling interests			**317,574**		336,158
TOTAL EQUITY			**7,569,754**		7,268,692

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 28 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information* performed by the *independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's annual consolidated financial statements for the year ended 31 December 2023 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2024.

2 Changes in accounting policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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.

3 Revenue and segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) 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 following reportable segments.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregation by major products or service lines		
– Sales of pharmaceutical products	**3,226,372**	3,225,011
– Sales of medical materials	**93,170**	89,097
– Services income	**4,895**	2,167
– Sales of raw materials and by-products	**14,502**	16,882
	3,338,939	3,333,157
Disaggregated by geographical location of customers		
– The PRC (place of domicile)	**3,002,085**	3,013,522
– Other countries	**336,854**	319,635
	3,338,939	3,333,157

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by 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 period is set out below:

	Six months ended 30 June 2024			
	Intravenous infusion solution and others *HK$'000*	**Medical materials** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Disaggregated by timing of revenue recognition				
Point in time	**3,244,459**	**94,480**	**–**	**3,338,939**
Revenue from external customers	**3,244,459**	**94,480**	**–**	**3,338,939**
Inter-segment revenue	**–**	**120,029**	**–**	**120,029**
Reportable segment revenue	**3,244,459**	**214,509**	**–**	**3,458,968**
Operating profit or loss/segment results	**852,025**	**7,915**	**(10,657)**	**849,283**
Finance income	**23,242**	**316**	**211**	**23,769**
Finance costs	**(32,822)**	**–**	**(30,341)**	**(63,163)**
Share of profit of an associate	**13,762**	**–**	**–**	**13,762**
Profit/(loss) before income tax	**856,207**	**8,231**	**(40,787)**	**823,651**
Income tax	**(120,664)**	**(5,201)**	**–**	**(125,865)**
Reportable segment profit/(loss) for the period	**735,543**	**3,030**	**(40,787)**	**697,786**

	Six months ended 30 June 2023			
	Intravenous infusion solution and others	Medical materials	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by timing of revenue recognition				
Point in time	3,243,090	90,067	–	3,333,157
Revenue from external customers	3,243,090	90,067	–	3,333,157
Inter-segment revenue	–	109,405	–	109,405
Reportable segment revenue	3,243,090	199,472	–	3,442,562
Operating profit or loss/segment results	806,104	10,484	(24,104)	792,484
Finance income	21,428	287	3,075	24,790
Finance costs	(31,702)	–	(29,046)	(60,748)
Share of profit of an associate	14,173	–	–	14,173
Profit/(loss) before income tax	810,003	10,771	(50,075)	770,699
Income tax	(117,094)	(4,100)	–	(121,194)
Reportable segment profit/(loss) for the period	692,909	6,671	(50,075)	649,505

	At 30 June 2024			
	Intravenous infusion solution and others	**Medical materials**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Reportable segment assets	**11,895,809**	**539,763**	**113,109**	**12,548,681**
Reportable segment liabilities	**3,880,921**	**51,260**	**1,046,746**	**4,978,927**

	At 31 December 2023			
	Intravenous infusion solution and others	Medical materials	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	11,323,223	522,535	120,578	11,966,336
Reportable segment liabilities	3,596,223	48,040	1,053,381	4,697,644

4 Profit before taxation

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

(a) Finance income and costs

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Finance income:		
– Interest income on bank deposits	**(15,786)**	(19,642)
– Net foreign exchange gain	**(7,983)**	(5,148)
Finance income	**(23,769)**	(24,790)
Finance costs:		
– Interest expense of borrowings	**63,050**	60,635
– Interest on lease liabilities	**113**	113
Finance costs	**63,163**	60,748
Finance costs – net	**39,394**	35,958

(b) Staff costs

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plan	**28,217**	25,130
Salaries, wages and other benefits	**345,704**	316,232
	373,921	341,362

(c) Other items

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Research and development costs	**247,094**	243,021
Less: costs capitalised into intangible assets	**(110,578)**	(104,273)
	136,516	138,748
Cost of inventories[#]	**1,496,712**	1,384,100
Government grants	**(36,114)**	(41,413)
Depreciation charges		
– owned property, plant and equipment	**194,786**	173,466
– right-of-use assets	**5,001**	5,113
Amortisation of intangible assets	**30,472**	19,519
Gain on disposal of property, plant and equipment	**(417)**	(399)
Net unrealised loss on trading securities	**4,264**	–
Impairment loss on		
– goodwill	**10,609**	–
– other intangible assets	**12,378**	3,954

[#] Cost of inventories includes HK$362,844,000 (six months ended 30 June 2023: HK$325,993,000) 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 represents:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Current tax – PRC corporate income tax ("CIT")	**137,254**	117,916
Deferred taxation	**(11,389)**	3,278
	125,865	121,194

Shijiazhuang No. 4 Pharmaceutical Co., Ltd., Jiangsu Best New Medical Material Co., Ltd., Hebei Guangxiang Pharmaceutical Co., Ltd., Cangzhou Lingang Youyi Chemical Co., Ltd. and Hebei Guolong Pharmaceutical Co., Ltd. have been certified as High and New Technology Enterprises ("HNTE") in 2021, 2023, 2023, 2022 and 2023, respectively. According to the tax incentives rules of the CIT Law of the People's Republic of China (the "CIT Law") for High and New Technology Enterprises, these entities are subject to preferential income tax rate of 15% for three years. According to the PRC income tax law and its relevant regulations, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income.

All other subsidiaries of the Company established and operated in the PRC are subject to the PRC CIT at an applicable rate of 25%. Taxation for other entities of the Group is charged at their respective applicable income tax rates ruling in the relevant jurisdictions.

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. At 30 June 2024, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to HK$7,441,963,000 (31 December 2023: HK$6,974,266,000). Deferred tax liabilities of HK$372,098,000 (31 December 2023: HK$348,713,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(b) Pillar Two income tax

The Group is subject to the global minimum top-up tax under the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Group is yet to apply the temporary exception during the current period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

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$685,737,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: HK$638,611,000) and the weighted average number of 2,965,743,000 ordinary shares (six months ended 30 June 2023: 2,971,693,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$685,737,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: HK$638,611,000) and the weighted average number of 2,974,732,000 ordinary shares for the six months ended 30 June 2024 (six months ended 30 June 2023: 2,985,285,000 ordinary shares) after adjusting for the effects of dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2024	2023
	'000	*'000*
Weighted average number of ordinary shares at 30 June (basic)	**2,965,743**	2,971,693
Effect of deemed issue of shares under the Company's share option scheme	**8,989**	13,592
Weighted average number of ordinary shares at 30 June (diluted)	**2,974,732**	2,985,285

7 Trade and bills receivables

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
Within 1 year	**2,232,567**	2,187,785
1 to 2 years	**1,971**	1,541
More than 2 years	**342**	453
Less: Loss allowance	**(12,776)**	(12,729)
	2,222,104	2,177,050

As at 30 June 2024, bills receivable of HK$151,570,000 (31 December 2023: HK$201,961,000) mainly represent short-term bank acceptance bills 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 30 June 2024, 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 twelve 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 30 June 2024, 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 approximately HK$715 million (31 December 2023: approximately HK$612 million).

8 Trade and bills payables

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

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
Within 3 months	**368,763**	320,548
4 to 6 months	**65,500**	73,022
7 to 12 months	**9,555**	8,896
More than 1 year	**6,590**	5,463
	450,408	407,929

9 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Interim dividend declared after the interim period, of HK8.0 cents per share (30 June 2023: HK7.0 cents per share)	**237,523**	207,903

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

The interim dividend for the six months ended 30 June 2023 was subsequently paid in September 2023.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK10.0 cents per share (30 June 2023: HK8.0 cents per share)	**296,904**	237,604

The share premium account may be applied by the Company to pay distributions or dividends to the equity shareholders of the Company in accordance with the Company Law of the Cayman Islands.

(b) Purchase and cancellation of own shares

During the six months ended 30 June 2024, the Company did not repurchase ordinary shares of the Company through the Stock Exchange and no ordinary shares were cancelled.

During the six months ended 30 June 2023, the Company repurchased a total of 2,640,000 ordinary shares of the Company through the Stock Exchange at an aggregate consideration of approximately HK$13,672,000, and 3,840,000 ordinary shares were cancelled in accordance with the Company Law of the Cayman Islands, of which, 1,200,000 ordinary shares were repurchased in December 2022.

(c) Share option scheme

No share options were granted and exercised during the six months ended 30 June 2024 and 2023. As at 30 June 2024, the total number of share options outstanding and exercisable was 100,000,000 (31 December 2023: 100,000,000).

(d) Restricted share award scheme

The Company adopted a restricted share award scheme on 27 December 2018, pursuant to which, existing shares of the Company will be purchased by the trustee. The maximum number of shares which the trustee may purchase with funds contributed by the Group is 2% of the Company's issued share capital as at 27 December 2018, and each selected participant may be granted, at any one time or in aggregate, no more than 1% of the Company's issued share capital as at 27 December 2018.

During the six months ended 30 June 2024 and 2023, no share has been purchased by the trustee and no share has been awarded to the selected participant. As at 30 June 2024, 3,300,000 shares have been repurchased, which were treated as treasury shares, and the aggregate consideration of HK$14,933,000 was presented as a deduction in capital reserve.

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 sales 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 six months ended 30 June 2024, the review on the Group's business performance and financial performance are contained in the Chairman's statement under section headed "II. 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 "III. PROSPECTS FOR DEVELOPMENT".

Principal risks and uncertainties

As a pharmaceutical enterprise in the PRC, the Group faces certain risks and uncertainties which affect its business operation and performance, some of which are inherent to pharmaceutical industry such as government policies on pharmaceutical enterprises and pharmaceutical products in the PRC.

The Group's sales and profits in finished medicines are affected by the selection results and tender prices of our products in the National Centralised Medicines Procurement ("National Centralised Procurement") and other forms of drug tenders in the PRC. To address such risk, the Group has a designated team responsible for these drug tenders including National Centralised Procurement. The Group has also obtained registration approvals for more products which have passed or been regarded as passing the consistency evaluations and thus qualified for these drug tenders including National Centralised Procurement. Currently, only a small portion of the Group's overall revenue were from sales conducted through National Centralised Procurement. On the other hand, the Group has committed in product diversification in recent years by introducing new products in bulk pharmaceuticals and medical materials. The Group will keep continuous attention on the change of the relevant situation and make timely responses.

Save as the abovementioned principal risks and uncertainties, other risks and uncertainties had been evaluated by the Company as set out in the Chairman Statement.

Relationships with stakeholders

The Group believes that employees are valuable assets. The Group provides competitive remuneration package to employees which is periodically reviewed with reference to industry practice. Apart from social insurance and in-house training programmes, other kinds of remuneration such as discretionary bonuses, share options and grant of shares may be awarded to employees according to the assessment of individual performance.

The Group also understands that it is important to maintain good relationship with its suppliers, customers and the PRC's group purchasing organisations ("GPO(s)") to fulfil its immediate and long-term goals. The Group has been working continuously with its suppliers to improve the standard of raw materials, and aiming at delivering products with high quality to its customers. The Group is aware of changing market conditions regarding the drug pricing practice in the PRC and the impact on the stakeholders of the drug supply industry. For one tender of Bromhexine Hydrochloride Injection awarded under the National Centralised Procurement, starting from the first half of 2024, the Group has been compromising with the respective GPOs on tender price adjustment and has made refunds to them, followed by notices received from some provincial GPOs which ranked the credit rating of such tender as under serious breach of trust (details are set out in the Company's announcement dated 14 August 2024) and a public statement published by a national GPO which put a subsidiary of the Company onto the "List of Contravention of Provision" and suspended the subsidiary for eligibility for participating in the National Centralised Procurement for a period of six months (details are set out in the Company's announcement dated 21 August 2024). The Company considers that these incidents so far have had no material adverse effect on the operations or financial position of the Group as a whole. The Company will continue to strengthen its compliance standards, including but not limited to monitoring and control of its operational practices under its established anti-corruption policies, so as to ensure that the operations of the Group will be guided by the principles of fairness and integrity. The Company will continue to watch out for any further development of the changing market conditions in the PRC, and will take proactive measures to address any possible adverse impacts that the changing market conditions may bring.

For the six months ended 30 June 2024 and up to date of this announcement, save as disclosed above, there was no material and significant dispute between the Group and its suppliers, customers and/or group purchasing organisations.

Compliance with laws and regulations

For the six months ended 30 June 2024 and up to date of this announcement, save as disclosed above in the section headed "Relationships with stakeholders", the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

Environmental policies and performance

As a pharmaceutical enterprise, the Group recognises the importance of environmental sustainability and green manufacturing. The Group has set out policies to ensure its production to be in compliance with environmental requirements under the GMP standard and other relevant laws and regulations. For operating practices, the Group persistently adopted measures with low energy consumption and low pollution level, and encouraged its employees to put relevant environmental factors into consideration from time to time. Moreover, the Group has provided a green and eco-friendly working environment for its employees.

Impairment of goodwill attributable to the acquisition of Youyi Chemical

According to the Group's accounting policies, goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For the six months ended 30 June 2024, management noted a market price decline in methylamine which is the key product of Cangzhou Lingang Youyi Chemical Co., Ltd. ("Youyi Chemical", a 100% owned subsidiary acquired by the Group in March 2022), and hence performed an assessment on the carrying value including the goodwill of the bulk pharmaceuticals CGU (i.e. Youyi Chemical) as compared to its recoverable amount which is based on value-in-use calculations. As a result of the assessment, management considered a full impairment of HK$10,609,000 on the goodwill attributable to the acquisition of Youyi Chemical as appropriate. The goodwill impairment will not affect the cash flow position of the Group, and management believe the Youyi Chemical's bulk pharmaceuticals business will still make positive contribution to the Group.

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 in the Group. There are different forms of packing in intravenous infusion 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 PP plastic and glass. The Group's bulk pharmaceuticals products are mainly manufactured and sold by Hebei Guolong Pharmaceutical Co., Ltd. ("Hebei Guolong"), Hebei Guangxiang Pharmaceutical Co., Ltd. ("Hebei Guangxiang") and Youyi Chemical, all being 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 subsidiary in the Group.

Majority of the Group's sales are conducted in the PRC and are denominated in Renminbi ("RMB"), which depreciated by approximately 2.2% when translated into Hong Kong dollars ("HK$") for the six months ended 30 June 2024 as compared with corresponding period of last year on average. Nevertheless, as contributed by growth in intravenous infusion solution business and oral preparations business, in terms of HK$, revenue of the Group increased slightly by 0.2% from HK$3,333,157,000 in corresponding period of last year to HK$3,338,939,000. Among which, total revenue from intravenous infusion solution accounted for HK$2,185,363,000 (30 June 2023: HK$2,069,115,000), representing an increase of 5.6% as compared with corresponding period of last year mainly due to sales volume growth. Among which, revenue from Non-PVC Soft Bag and Upright Soft Bag Infusion Solution were HK$1,085,468,000 and HK$571,771,000 respectively, totalling HK$1,657,239,000, representing an increase of 8.6% as compared with corresponding period of last year and accounted for 75.9% of the total revenue from intravenous infusion solution; revenue from PP Plastic Bottle Infusion Solution was HK$435,357,000, representing an increase of 2.7% as compared with corresponding period of last year and accounted for 19.9% of the total revenue from intravenous infusion solution; revenue from Glass Bottle Infusion Solution was HK$92,767,000, representing a decrease of 21.7% as compared with corresponding period of last year and accounted for 4.2% of the total revenue from intravenous infusion solution.

During the first half year of 2024, revenue from ampoule injections accounted for HK$366,785,000 (30 June 2023: HK$453,398,000), which decreased by 19.1% as compared with corresponding period of last year due to drop in average selling price and refunds of approximately HK$77 million in relation to one tender of Bromehexine Hydrochloride Injection. Revenue from bulk pharmaceuticals accounted for HK$398,786,000 (30 June 2023: HK$453,626,000), representing a drop of 12.1% as compared with corresponding period of last year as market prices have not yet fully recovered from the drop during last year. On the other hand, revenue from oral preparations accounted for HK$254,365,000 (30 June 2023: HK$244,391,000), representing a growth of 4.1% as compared to corresponding period of last year which was mainly contributed by growth in Azithromycin and other new products oral preparations.

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 introducing new products in ampoule injections, bulk pharmaceuticals, oral preparations and medical materials to drive revenue growth.

Revenue from medical materials products contributed HK$94,480,000 (30 June 2023: HK$90,067,000) to the Group, representing an increase of 4.9% as compared with corresponding period of last year due to a recovery in medical materials market.

Cost of sales

The Group has been adopting various cost control measures such as production process optimization, equipment modification and energy conservation. During the first half year of 2024, the Group's cost of sales increased by 7.7% to HK$1,495,484,000 as compared to the corresponding period last year of HK$1,388,406,000 amid growth in sales volume. The cost of direct materials, direct labour and other costs represented approximately 58.9%, 14.1% and 27.0% of the total cost of sales respectively, while their comparative percentages for the corresponding period of last year were 54.8%, 14.4% and 30.8% respectively.

Gross profit margin

For the six months ended 30 June 2024, the Group recorded a total gross profit of HK$1,843,455,000 (30 June 2023: HK$1,944,751,000). Overall gross profit margin decreased by 3.1 percentage point to 55.2% for the six months ended 30 June 2024 from 58.3% for the corresponding period last year. As compared with corresponding period of last year, there was a larger proportion of revenue from finished medicines being sold through centralised procurement during the six months ended 30 June 2024, but meanwhile it contributed to the reduction of selling and distribution costs.

Other net income

For the six months ended 30 June 2024, the Group's other net income increased to approximately HK$51,519,000 (30 June 2023: HK$45,301,000) which mainly represented government grants.

Selling and distribution costs

For the six months ended 30 June 2024, selling and distribution costs amounted to approximately HK$758,055,000 (30 June 2023: HK$920,785,000), which mainly consisted of advertising, marketing and promotion expenses of approximately HK$482,459,000 (30 June 2023: HK$635,570,000), transportation cost of approximately HK$148,815,000 (30 June 2023: HK$170,911,000) as well as salary expenses for sales and marketing staff of approximately HK$56,103,000 (30 June 2023: HK$38,396,000).

Selling and distribution costs decreased by 17.7% for the six months ended 30 June 2024 as compared with corresponding period of last year. The Group has keep optimizing the efficiency of its sales channel and a higher proportion of finished medicines were sold through centralised procurement, which resulted in a significant drop in advertising, marketing and promotion expenses from corresponding period of last year.

General and administrative expenses

For the six months ended 30 June 2024, general and administrative expenses was approximately HK$140,373,000 (30 June 2023: HK$137,699,000) which mainly comprised of salaries expenses for administrative staff of approximately HK$50,800,000 (30 June 2023: HK$50,219,000), depreciation and amortisation (other than research and development) expenses of approximately HK$46,466,000 (30 June 2023: HK$42,828,000) as well as utility expenses of approximately HK$4,645,000 (30 June 2023: HK$3,654,000).

The Group had an overall expansion in business with an increased number of administrative staff and the relevant utility expense as well as depreciation and amortisation expenses from non-current assets. As a result, there was a slight increase of 1.9% in general and administrative expense for the six months ended 30 June 2024 as compared with last year.

Research and development costs

For the six months ended 30 June 2024, research and development ("R&D") costs decreased slightly by 1.6% to HK$136,516,000 as compared to HK$138,748,000 in the corresponding period of last year, which comprised salaries expenses for R&D staff of approximately HK$56,721,000 (30 June 2023: HK$52,608,000), depreciation and amortisation expenses of approximately HK$18,714,000 (30 June 2023: HK$12,445,000) as well as other costs (such as raw materials and consumables) directly expensed of approximately HK$61,081,000 (30 June 2023: HK$73,695,000).

Profit from operations

For the six months ended 30 June 2024, the Group's profit from operations amounted to HK$849,283,000, representing an increase of 7.2% as compared to HK$792,484,000 of the corresponding period last year, and the Group's operating profit margin (defined as profit from operations divided by total revenue) further improved to 25.4% from 23.8% of the corresponding period of last year.

Net finance costs

The Group's net finance costs, which represented mainly interest expenses of bank borrowings less interest income on bank deposits and foreign exchange gain, increased by 9.6% to HK$39,394,000 for the six months ended 30 June 2024 (30 June 2023: HK$35,958,000) mainly due to a higher average bank borrowings interest rate as compared to the corresponding period of last year.

Income tax expense

The Group's subsidiaries, namely Shijiazhuang No. 4 Pharma, Jiangsu Best, Hebei Guangxiang, Hebei Guolong and Youyi Chemical, 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 2023 and the six months ended 30 June 2024. For the first half of year 2024, the income tax expense increased by 3.9% to HK$125,865,000 (30 June 2023: HK$121,194,000).

Profit attributable to equity shareholders

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2024 increased by 7.4% to HK$685,737,000 (30 June 2023: HK$638,611,000), with net profit margin (defined as profit attributable to equity shareholders of the Company divided by total revenue) increased from 19.2% of the corresponding period last year to 20.5% for the six months ended 30 June 2024.

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 30 June 2024, the Group's cash and cash equivalents decreased slightly by 3.1% to HK$1,564,535,000 (31 December 2023: HK$1,615,208,000), mostly denominated in RMB.

As at 30 June 2024, the Group's bank borrowings increased by 7.1% to HK$3,607,505,000 (31 December 2023: HK$3,368,141,000), comprising HK$2,363,452,000 (31 December 2023: HK$2,118,141,000) of borrowings denominated in RMB and HK$1,244,053,000 (31 December 2023: HK$1,250,000,000) in Hong Kong dollars. Management considers the increase in onshore bank borrowing denominated in RMB will benefit the Group as a whole due to a lower cost of fund amid rate cut in China. As at 30 June 2024, 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) was 22.0% as at 30 June 2024 which was higher than 20.2% as at 31 December 2023 due to increase in bank borrowings. Current ratio (defined as current assets divided by current liabilities) further improved from 2.03 as at 31 December 2023 to 2.63 as at 30 June 2024.

As at 30 June 2024, the Group's total capital commitments outstanding but not provided for was HK$688,239,000 (31 December 2023: HK$691,843,000).

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 30 June 2024, the Group had approximately 5,800 employees (approximately 5,300 employees as at 30 June 2023), 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 granted under the share option schemes of the Company 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 schemes of the Company and the Restricted Share Award Scheme in the respective sections in the Management Discussion and Analysis.

The overriding objective of the remuneration policy of executive Directors and senior management is to provide the packages needed to attract, retain and motivate executive Directors and senior management of the quality required to run the Company successfully, without paying more than necessary. The remuneration policy of executive Directors and senior management are reviewed and recommended for the Board's approval by the Remuneration Committee. In addition, share options may be granted under the share option schemes of the Company and shares may be granted under the Restricted Share Award Scheme to the executive Directors and senior management. The remuneration package is reviewed with reference to the Board's corporate goals and objectives, prevailing market practice, duties and responsibilities of the individual executive Director or senior management and his/her contribution to the Group. The objective of remunerating non-executive Directors is to ensure that they are remunerated sufficiently but not excessively for their efforts and time dedicated to the Company.

The total remuneration cost incurred by the Group for the six months ended 30 June 2024 was approximately HK$373,921,000 (30 June 2023: HK$341,362,000), representing an increase of 9.5% as compared with corresponding period of last year mainly due to an increased number of employees.

CHARGE ON ASSETS

As at 30 June 2024, the Group's right-of-use assets with a carrying amount of HK$46,358,000 (31 December 2023: HK$47,229,000) 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 following dates, the exchange rates of converting Hong Kong dollars into RMB (as calculated in Hong Kong dollars) were:

1 January 2023	0.89327
30 June 2023	0.92198
1 January 2024	0.90622
30 June 2024	0.91268

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2024.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's listed securities for the six months ended 30 June 2024. 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.

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 28 August 2024, and at all times during the six months ended 30 June 2024.

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 C3 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 six months ended 30 June 2024.

CORPORATE GOVERNANCE PRACTICES

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 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 six months ended 30 June 2024, except for the deviation as follows:

Under code provision C.2.1 of the CG code, 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.

Pursuant to Rule 13.92 of the Listing Rules, diversity is not considered to be achieved for a single gender board. Following the appointment of Ms. Qu Wanrong on 28 August 2024, there is at least a Director of a different gender on the Board and hence the Company is in compliance with Rule 13.92 of the Listing Rules.

INDEPENDENT REVIEW OF AUDITORS

The interim financial report for the six months ended 30 June 2024 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the Interim Report.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed and approved the interim financial information of the Group for the six months ended 30 June 2024 as contained in this announcement.

INTERIM DIVIDEND

The Board resolved to pay on 27 September 2024 an interim dividend of HK8 cents per share (30 June 2023: HK7 cents per share) amounting to a total of approximately HK$237,523,000 for the six months ended 30 June 2024 to the shareholders named in the register of members of the Company on 13 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 September 2024 to Friday, 20 September 2024 (both days inclusive), during which period, no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificate(s) 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., Friday, 13 September 2024.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website (www.ssygroup.com.hk) and on the website of Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim 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, 28 August 2024

As at the date of this announcement, the Board comprises Mr. Qu Jiguang, Mr. Su Xuejun, Mr. Meng Guo, Mr. Chow Hing Yeung and Ms. Qu Wanrong 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.