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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)

CONTINUING CONNECTED TRANSACTIONS (1) MASTER SALE AND PURCHASE AGREEMENT AND (2) MASTER PRODUCTS MANUFACTURING AND TRANSPORTATION SERVICES AGREEMENT

CONTINUING CONNECTED TRANSACTIONS

References are made to (i) the announcement of the Company dated 13 December 2023 in relation to the 2024 Master Sale and Purchase Agreement and the 2024 Master Products Manufacturing entered into between the Company and Sichuan Kelun and the continuing connected transactions contemplated thereunder; and (ii) the announcement of the Company dated 26 July 2024 in relation to the revision of the 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.

Master Sale and Purchase Agreement

As the term of the 2024 Master Sale and Purchase Agreement will expire on 31 December 2024, on 19 December 2024, the Company has entered into the Master Sale and Purchase Agreement with Sichuan Kelun to renew the Sale of Materials and Purchase of Materials for a term commencing from 1 January 2025 and ending on 31 December 2025 (both days inclusive).

Master Products Manufacturing and Transportation Services Agreement

As the term of the 2024 Master Products Manufacturing and Transportation Services Agreement will expire on 31 December 2024, on 19 December 2024, the Company has entered into the Master Products Manufacturing and Transportation Services Agreement with Sichuan Kelun to renew the Product Manufacturing Services and Products Transportation Services for a term commencing from 1 January 2025 and ending on 31 December 2025 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sichuan Kelun is a beneficial holder of 181,924,000 Shares and is through Kelun International interested in 446,852,000 Shares pursuant to the latest Disclosure of Interests form filed by Sichuan Kelun. By virtue of Sichuan Kelun's interests in an aggregate of 628,776,000 Shares (representing approximately 21.26% 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 annual cap for each of the (i) Sale of Materials, (ii) Purchase of Materials, (iii) Products Manufacturing Services and (iv) Products Transportation Services exceed 0.1% but all are less than 5%, each of the (i) Sale of Materials, (ii) Purchase of Materials, (iii) Products Manufacturing Services and (iv) Products Transportation Services 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.

INTRODUCTION

References are made to (i) the announcement of the Company dated 13 December 2023 in relation to the 2024 Master Sale and Purchase Agreement and the 2024 Master Products Manufacturing and Transportation Services Agreement entered into between the Company and Sichuan Kelun and the continuing connected transactions contemplated thereunder; and (ii) the announcement of the Company dated 26 July 2024 in relation to the revision of the 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.

Master Sale and Purchase Agreement

As the term of the 2024 Master Sale and Purchase Agreement will expire on 31 December 2024, on 19 December 2024, the Company has entered into the Master Sale and Purchase Agreement with Sichuan Kelun to renew the Sale of Materials and Purchase of Materials for a term commencing from 1 January 2025 and ending on 31 December 2025 (both days inclusive).

Master Products Manufacturing and Transportation Services Agreement

As the term of the 2024 Master Products Manufacturing and Transportation Services Agreement will expire on 31 December 2024, on 19 December 2024, the Company has entered into the Master Products Manufacturing and Transportation Services Agreement with Sichuan Kelun to renew the Product Manufacturing Services and Products Transportation Services for a term commencing from 1 January 2025 and ending on 31 December 2025 (both days inclusive).

MASTER SALE AND PURCHASE AGREEMENT

The principal terms of the Master Sale and Purchase Agreement are set out as follows:

Date

19 December 2024 (after trading hours)

Parties

- (a) the Company; and
- (b) Sichuan Kelun.

Subject Matter

Pursuant to the terms of the Master Sale and Purchase Agreement, (i) members of the Group shall purchase Material A from members of the Kelun Group; and (ii) members of the Kelun Group shall purchase Material B from members of 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.

Term

From 1 January 2025 to 31 December 2025 (both days inclusive)

Conditions Precedents

The Master Sale and Purchase Agreement shall take effect subject to the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the annual caps) having been approved by each of the respective empowered bodies of the parties, including the board of directors and the shareholders (if necessary).

The Master Sale and Purchase Agreement would be terminated and lapse in the event that the above condition is not fulfilled by 31 December 2024, upon which the parties will have no further obligations except for the rights and remedies in respect of any antecedent breach.

As at the date of this announcement, the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the annual caps) have been approved by the respective board of directors of each of the Company and Sichuan Kelun, and hence the above condition has been fulfilled.

Payment terms

Payments for Material A purchased by member(s) of the Group from the Kelun Group will be settled in cash or by way of bank transfer upon the receipt of the relevant Material A by member(s) of the Group.

Payment for Material B purchased by member(s) of the Kelun Group from the Group will be settled in cash or by way of bank transfer upon the receipt of the relevant Material B by member(s) of the Kelun Group.

The time of payment will be negotiated and determined and agreed between the parties to the individual contracts to be entered into by the parties pursuant to the Master Sale and Purchase Agreement.

Pricing policies

Purchase of Materials

The unit prices of Material A to be purchased by the Group are determined based on the prevailing market prices from time to time for relevant materials of similar quantities and specifications to ensure that such prices and terms for Material A to be offered by the Kelun Group are no less favourable to the Group than those offered by other independent third-party suppliers. The Group will compare the unit prices of Material A to be purchased by the Group with the reference unit prices of Material A as stated in Menet* (米內網), healthoo.com (健康網) or similar portals in future, so as to ensure that the prices at which and terms on which Material A are offered by the Kelun Group are on prevailing market terms or better, and thus no less favourable to the Group than those offered by other independent third-party suppliers. Menet and healthoo.com are leading integrated professional information service platforms in the PRC focusing on the provision of medical and health information, terminal data and market research services.

The Group will also at its best effort obtain price quotation(s) of comparable materials of similar quantities and specifications from independent third-party suppliers for comparison. The Company understands that the Kelun Group may be one of very few suppliers in the PRC of certain pharmaceutical raw materials amongst Material A including erythromycin thiocyanate and Dextran 40 which are used by the Group for manufacturing its products. The Company foresees that on certain occasions it may not be possible for the Group to obtain meaningful contemporaneous price quotations from independent third-party suppliers in the PRC, as only a very limited number of suppliers in the PRC possess the capacity and capabilities to produce a large quantity of pharmaceutical raw materials of similar quality comparable to the orders of Material A expected to be made by the Group to the Kelun Group, in which event the reference price(s) obtained from Menet and healthoo.com would be the primary reference for setting the prices of Material A in individual orders.

A management personnel of the Group authorised to approve such transactions will review and compare the prices in respect of Material A offered by the Kelun Group to the Group with the reference unit price as quoted on Menet and healthoo.com and/or contemporaneous price quotation(s) obtained from other independent third party supply(iers) (as the case may be) for comparable materials of similar quantities and specifications before entering into individual contracts pursuant to the Master Sale and Purchase Agreement.

In the event that the prices or terms in respect of Material A available to the Group are less favourable than the reference unit price as quoted on Menet and healthoo.com and/or contemporaneous price quotation(s) obtained from other independent third-party supply(iers) (as the case may be) for comparable materials of similar quantities and specifications, 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.

Sale of Materials

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 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.

Annual Caps and Basis

Historical Annual Caps

The historical annual cap for the maximum transaction amounts payable by the Group to the Kelun Group in respect of the purchase of Material A by the Group from the Kelun Group under the 2024 Master Sale and Purchase Agreement for FY2024 is RMB278,670,000.

The historical revised annual cap for the maximum transaction amounts payable by the Kelun Group to the Group in respect of the purchase of Material B by the Kelun Group from the Group under the 2024 Master Sale and Purchase Agreement for FY2024 is RMB88,720,000.

Actual Transaction Amounts

The actual transaction amount paid by the Group to the Kelun Group in respect of the purchase of Material A by the Group from the Kelun Group under the 2024 Master Sale and Purchase Agreement for the ten months ended 31 October 2024 was RMB148,660,000.

The actual transaction amount 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 2024 Master Sale and Purchase Agreement for the ten months ended 31 October 2024 was RMB67,870,000.

Annual Caps

The annual cap for the maximum transaction amounts to be paid by the Group to the Kelun Group in respect of the purchase of Material A by the Group from the Kelun Group under the Master Sale and Purchase Agreement for FY2025 is RMB276,730,000.

The annual cap for the maximum transaction amounts 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 FY2025 is RMB98,110,000.

Basis

The annual cap in respect of the Purchase of Materials was determined with reference to:

- (i) the historical transaction amounts paid by the Group for the purchase of Material A from the Kelun Group under the 2024 Master Sale and Purchase Agreement for the ten months ended 31 October 2024, and the projected annualized transaction amount for FY2024 of approximately RMB178.39 million based on the actual transaction amount for ten months ended 31 October 2024;
- (ii) the Group's estimated demand for Material A (as raw materials) for FY2025, with reference to the Group's expected production capacities for its end products, existing and expected orders of products from the Group's customers and expected market demands for the Group's products. In particular, the Company has seen a trend of growth in the azithromycin market. With an increased demand in azithromycin, it is projected that the Group's size and scale procurement for erythromycin thiocyanate, being one of key raw materials for the production of azithromycin, from the Kelun Group will see a substantial enlargement. Hence, there is expected to be an increase in the transaction amount for FY2025 as compared to the historical transaction amounts (and annualized amount) paid by the Group for the purchase of Material A from the Kelun Group;
- (iii) the Kelun Group's expected production capacities of Material A for FY2025;
- (iv) the expected unit prices of Material A provided by the Kelun Group with reference to prevailing market prices. The Group has also observed a general rising trend in the market unit price of azithromycin. As a part of the supply chain, it is estimated that there will be a mild increase in the unit prices erythromycin thiocyanate, being one of key raw materials for the production of azithromycin, which is expected to drive the estimated transaction amount for FY2025 up; and
- (v) buffer for fluctuation of market prices and change in specifications.

The annual cap in respect of the Sale of Materials was determined with reference to:

- (i) the historical transaction amount paid by the Kelun Group for the purchase of Material B from the Group under the 2024 Master Sale and Purchase Agreement for the ten months ended 31 October 2024, and the projected annualized transaction amount for FY2024 of approximately RMB81.44 million based on the actual transaction amount for the ten months ended 31 October 2024;
- (ii) the Kelun Group's estimated demand for Material B for FY2025, 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. As communicated with the Kelun Group and with reference to a sales forecast, it is expected that there will be an increase in demand for Material B from the Kelun Group;

- (iii) the Group's expected production capacities of Material B for FY2025;
- (iv) the expected unit prices of Material B provided by the Group with reference to prices of comparable materials in the price lists and/or trading database of the Group and relevant market prices. With reference to the current market condition, the Company expects a general increase in the market prices of Material B in FY2025 which would lead to an increase in the prices of Material B offered by the Group to the Kelun Group; and
- (v) buffer for fluctuation of market prices and change in specifications.

Shareholders and potential investors of the Company should note that the above annual caps are not intended, and do 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 annual caps in deciding how or whether or not to deal in the Shares.

MASTER PRODUCTS MANUFACTURING AND TRANSPORTATION SERVICES AGREEMENT

The principal terms of the Master Products Manufacturing and Transportation Services Agreement are set out as follows:

Date

19 December 2024 (after trading hours)

Parties

- (a) the Company; and
- (b) Sichuan Kelun.

Subject Matter

Pursuant to the Master Products Manufacturing and Transportation Services Agreement, members of the Group shall engage members of the Kelun Group for (i) products manufacturing and ancillary services and (ii) products transportation services, on a non-exclusive basis, subject to the entering into of individual contracts as agreed between members of the Group and members of the Kelun Group.

Term

From 1 January 2025 to 31 December 2025 (both days inclusive)

Conditions Precedents

The Master Products Manufacturing and Transportation Services Agreement shall take effect subject to the Master Products Manufacturing and Transportation Services Agreement and the transactions contemplated thereunder (including the annual caps) having been approved by each of the respective empowered bodies of the parties, including the board of directors and shareholders (if necessary).

The Master Products Manufacturing and Transportation Services Agreement would be terminated and lapse in the event that the above condition is not fulfilled by 31 December 2024, upon which the parties will have no further obligations except for the rights and remedies in respect of any antecedent breach.

As at the date of this announcement, the Master Products Manufacturing and Transportation Services Agreement and the transactions contemplated thereunder (including the annual caps) have been approved by the respective board of directors of each of the Company and Sichuan Kelun, and hence the above condition has been fulfilled.

Payment terms

The service fees payable by the Group for the Products Manufacturing Services and/or Products Transportation Services under the Master Products Manufacturing and Transportation Services Agreement will be settled in cash or by way of bank transfer.

The time of payment will be negotiated and determined and agreed between the parties to the individual contracts to be entered into by the parties pursuant to the Master Products Manufacturing and Transportation Services Agreement.

Pricing policies

The Products Manufacturing Services and Products Transportation Services shall be conducted on normal commercial terms, in particular, the Products Manufacturing Services and Products Transportation Services will be (i) on terms no less favourable to the Group than terms available from independent third parties based on its internal control measures; (ii) conducted in the ordinary and usual course of business of the Group and after arm's length negotiations; and (iii) conducted within the ambit of the annual caps.

The service fees for the Products Manufacturing Services and/or Products Transportation Services payable by the Group to the Kelun Group are determined based on the prevailing market prices from time to time for relevant manufacturing services in respect of products of similar type, quantity and quality.

The Group will obtain at least two quotations for manufacturing services and/or transportation services in respect of products of similar type, quantity and quality from independent third parties for comparison.

A management personnel of the Group authorised to approve such transactions will review and compare the service fees and terms made available to the Group by the Kelun Group for the Products Manufacturing Services and/or Products Transportation Services with the quotations obtained from independent third parties before entering into individual contracts for the Products Manufacturing Services and/or Products Transportation Services pursuant to the Master Products Manufacturing and Transportation Services Agreement.

In the event that the service fees and terms available to the Group in respect of the Products Manufacturing Services and/or Products Transportation Services are less favourable to the Group than those offered by independent third parties in the quotations obtained by the Group, 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.

Annual Caps and Basis

Historical Annual Caps

The historical annual cap for the maximum transaction amount payable by the Group for the products manufacturing services provided by the Kelun Group to the Group under the 2024 Master Products Manufacturing and Transportation Services Agreement for FY2024 is RMB20,430,000.

The historical annual cap for the maximum transaction amount payable by the Group for the products transportation services provided by the Kelun Group to the Group under the 2024 Master Products Manufacturing and Transportation Services Agreement for FY2024 is RMB5,000,000.

Historical Transaction Amounts

The historical transaction amount paid by the Group to the Kelun Group in respect of the products manufacturing services provided by the Kelun Group to the Group for the ten months ended 31 October 2024 was RMB14,280,000.

The historical transaction amount paid by the Group to the Kelun Group in respect of the products transportation services provided by the Kelun Group to the Group for the ten months ended 31 October 2024 was RMB4,400,000.

Annual Caps

The annual cap for the maximum transaction amounts to be paid by the Group to the Kelun Group in respect of the Products Manufacturing Services to be provided by the Kelun Group to the Group under the Master Products Manufacturing and Transportation Services Agreement for FY2025 is RMB30,000,000.

The annual cap for the maximum transaction amounts to be paid by the Group to the Kelun Group in respect of the Products Transportation Services to be provided by the Kelun Group to the Group under the Master Products Manufacturing and Transportation Services Agreement for FY2025 is RMB7,000,000.

Basis

The annual cap in respect of the Products Manufacturing Services has been determined with reference to:

- (i) the historical transaction amount paid by the Kelun Group for the Products Manufacturing Services under the 2024 Master Products Manufacturing and Transportation Services Agreement for the ten months ended 31 October 2024, and the projected annualized transaction amount for FY2024 of approximately RMB17.14 million based on the actual transaction amount for the ten months ended 31 October 2024;
- (ii) the Group's estimated demand for the Products Manufacturing Services provided by the Kelun Group for FY2025. With reference to the order books and manufacturing plan of the Group, it is projected that there will be an increased amount of products of the Group to be manufactured by the Kelun Group in FY2025, as compared to FY2024;
- (iii) the expected service fees for the Products Manufacturing Services with reference to prevailing market prices;
- (iv) the estimated capacity of the Kelun Group in providing the Products Manufacturing Services; and
- (v) a buffer in order to provide flexibility to the Company in case of any unforeseen increase in demand or fluctuation in prevailing market prices.

The annual cap in respect of the Products Transportation Services has been determined with reference to:

- (i) the historical transaction amount paid by the Kelun Group for the Products Transportation Services under the 2024 Master Products Manufacturing and Transportation Services Agreement for the ten months ended 31 October 2024, and the projected annualized transaction amount for FY2024 of approximately RMB5.28 million based on the actual transaction amount for the ten months ended 31 October 2024;
- (ii) the Group's estimated demand for the Products Transportation Services provided by the Kelun Group for FY2025. The Company expects a substantial increase in volume of goods in FY2025 which require the Products Transportation Services to be provided by the Kelun Group;
- (iii) the expected service fees for the Products Transportation Services with reference to prevailing market prices;
- (iv) the estimated capacity of the Kelun Group in providing the Products Transportation Services; and
- (v) a buffer in order to provide flexibility to the Company in case of any unforeseen increase in demand or fluctuation in prevailing market prices.

Shareholders and potential investors of the Company should note that the above annual caps are not intended, and do 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 annual caps in deciding how or whether or not to deal in the Shares.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

Master Sale and Purchase Agreement

The Sale of Materials and Purchase of Materials 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.

It is in the interests of the Company to purchase materials from the Kelun Group as the prices are more competitive compared to the prices offered by other independent third-party suppliers. The Master Sale and Purchase Agreement does not limit the types of materials or products to be purchased by the Group from the Kelun Group or by the Kelun Group from the Group. As at the date of this announcement, the Company understands that the Kelun Group is one of few suppliers in the PRC in respect of the raw materials (in particular erythromycin thiocyanate and Dextran 40) required to produce the Group's products for sale. The Purchase of Materials under the Master Sale and Purchase Agreement has the benefit of enhancing stable and reliable supply of relevant materials necessary for the manufacturing of products of the Company at favourable and competitive prices under the current market conditions.

On the other hand, the Board is of the view that the sale of pharmaceutical materials including but not limited to co-extrusion films, rubber plugs and gaskets, and various types of bulk drugs to the Kelun Group will provide a secure source of revenue for the Group and contribute to the implementation of the Group's sales plan.

In view of the above, the Board considers that the entering into of the Master Sale and Purchase Agreement and the Sale of Materials and Purchase of Materials contemplated thereunder are in line with the business strategy of the Company and will benefit the business of the Company. The Company considers that the Sale of Materials and Purchase of Materials facilitate and support the growth of the business of the Group, and enable the Group to fully leverage on its advantages and to achieve better operating performance. With the abovementioned pricing policies and internal control measures disclosed below, the terms of the Sale of Materials and Purchase 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.

Master Products Manufacturing and Transportation Services Agreement

Through the Products Manufacturing Services and Products Transportation Services, the Group will be able to outsource the manufacturing of certain products and transportation of products in certain areas to the Kelun Group at a competitive price, which would enable the Group to streamline its operating workflow and enhance efficiency. By way of outsourcing the production processes for certain specific products and transportation of products in certain areas, the Group would benefit from the specialties of the Kelun Group's manufacturing capacities and local transportation network and infrastructure, focus on its core competencies, optimize cost efficiency and maximize flexibility in terms of resources allocation and business planning. In addition, the historical and long-term cooperation between the Group and the Kelun Group enabled the Kelun Group to gain a comprehensive and deep understanding of the Group's business as well as its needs for manufacturing products and transportation of products, which would create synergy between and mutual benefits for each of the parties.

Having considered the Group's business needs, previous experience and the long-term and stable cooperation with the Kelun Group, the Directors consider that the Kelun Group is capable of fulfilling the Group's demands in a reliable and cost-effective manner and it is in the interest of the Group to enter into the Master Products Manufacturing and Transportation Services Agreement.

Based on the above, the Directors (including the independent non-executive Directors) consider that each of the (1) Master Sale and Purchase Agreement and (2) Master Products Manufacturing and Transportation Services Agreement has been entered into in the ordinary and usual course of business of the Group and is on normal commercial terms, and that each of the (i) Sale of Materials, (ii) Purchase of Materials, (iii) Product Manufacturing Services; and (iv) Products Transportation Services (including the annual caps) are 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 (1) Master Sale and Purchase Agreement and (2) Master Products Manufacturing and Transportation Services Agreement and the transactions contemplated thereunder (including the annual caps). Accordingly, Mr. Liu Wenjun has abstained from voting on the Board resolutions approving the same. 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 has any material interest in the (1) Master Sale and Purchase Agreement and (2) Master Products Manufacturing and Transportation Services Agreement and the transactions contemplated thereunder (including the annual caps).

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 view 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 selling of pharmaceutical products, which includes 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 628,776,000 Shares (representing approximately 21.26% of the issued share capital of the Company) pursuant to the latest Disclosure of Interests form filed by Sichuan Kelun 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, Sichuan Kelun is a beneficial holder of 181,924,000 Shares and is through Kelun International interested in 446,852,000 Shares pursuant to the latest Disclosure of Interests form filed by Sichuan Kelun. By virtue of Sichuan Kelun's interests in an aggregate of 628,776,000 Shares (representing approximately 21.26% 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 annual cap for each of the (i) Sale of Materials, (ii) Purchase of Materials, (iii) Products Manufacturing Services and (iv) Products Transportation Services exceed 0.1% but all are less than 5%, each of the (i) Sale of Materials, (ii) Purchase of Materials, (iii) Products Manufacturing Services and (iv) Products Transportation Services 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:

“2024 Master Products Manufacturing and Transportation Services Agreement”	the products manufacturing services and transportation services framework agreement entered into between the Company and Sichuan Kelun on 13 December 2023, pursuant to which members of the Group shall engage members of the Kelun Group for products manufacturing and ancillary services and products transportation services for a term commencing from 1 January 2024 and ending on 31 December 2024
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“2024 Master Sale and Purchase Agreement”	the master sale and purchase agreement entered into between the Company and Sichuan Kelun on 13 December 2023, pursuant to which (i) members of the Group shall purchase Material A from members of the Kelun Group; and (ii) members of the Kelun Group shall purchase of Material B from members of the Group for a term commencing from 1 January 2024 and ending on 31 December 2024
“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
“FY”	the financial year ended 31 December
“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, based on the latest Disclosure of Interests form filed by Sichuan Kelun, it holds 446,852,000 Shares, representing approximately 15.11% of the issued share capital of the Company
“Kelun Group”	Sichuan Kelun, together with its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Products Manufacturing and Transportation Services Agreement”	the products manufacturing services and transportation services framework agreement dated 19 December 2024 entered into between the Company and Sichuan Kelun, pursuant to which members of the Group shall engage members of the Kelun Group for products manufacturing and ancillary services and products transportation services

“Master Sale and Purchase Agreement”	the products sale and purchase master agreement dated 19 December 2024 entered into between the Company and Sichuan Kelun, pursuant to which (i) members of the Group shall purchase Material A from members of the Kelun Group; and (ii) members of the Kelun Group shall purchase Material B from members of the Group
“Material A”	pharmaceutical materials used for manufacturing of products of the Company and its subsidiaries including but not limited to erythromycin thiocyanate, Dextran 40, aseptic bag and rubberised fabric
“Material B”	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
“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)
“Products Manufacturing Services”	the provision of products manufacturing and ancillary services by the Kelun Group to the Group as contemplated under the Master Products Manufacturing and Transportation Services Agreement
“Products Transportation Services”	the provision of products transportation services by the Kelun Group to the Group as contemplated under the Master Products Manufacturing and Transportation Services Agreement
“Purchase of Materials”	the purchase of Material A by the Group from the Kelun Group as contemplated under the Master Sale and Purchase Agreement
“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 an aggregate of 628,776,000 Shares, representing approximately 21.26% of the issued share capital of the Company pursuant to the latest Disclosure of Interests form filed by Sichuan Kelun, 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.

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

Hong Kong, 19 December 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.

* *For identification purpose only*