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# 石四藥集團有限公司

## SSY Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2005)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024**

#### **CHAIRMAN'S STATEMENT**

On behalf of the board of directors (the "Board") of SSY Group Limited (the "Company"), I hereby present the annual result of the Company and its subsidiaries (the "Group") for the year ended 31 December 2024.

#### **I. RESULT AND DIVIDEND DISTRIBUTION**

In 2024, the internal and external business environment remained severe and complex. Faced with multiple challenges and impacts such as sluggish economic recovery, intensified trade protectionism, and tightening medical insurance policies, the Group overcame difficulties and implemented comprehensive measures, facing difficulties and challenges with a positive attitude and proactive actions. By adopting an accelerated stance, we focused on innovation, optimized production and sales mix, expanded market coverage in a targeted manner, promoted the dominant and key preparations products, and expanded business scope as well as improved quality and efficiency of commodity bulk pharmaceuticals and medical materials. The Group's overall business maintained a trend of stable development.

In 2024, the Group achieved a revenue of approximately Renminbi 5,266 million, representing a decrease of approximately 9.6% as compared to last year; in terms of Hong Kong dollars, the Group's revenue was approximately HK\$5,773 million this year, representing a decrease of 10.7% as compared to last year, and the gross profit margin for this year was 50.4%, representing a decrease of 5.6 percentage points as compared to last year. The Group achieved a net profit of approximately HK\$1,061 million, representing a decrease of approximately 19.5% as compared to last year.

The Directors resolved to pay a final dividend of HK\$0.095 per share on 3 June 2025 to the shareholders named in the register of members of the Company on 21 May 2025. Total dividend for the year were HK\$0.175 per share, representing an increase of approximately 2.9% as compared to last year.

## II. BUSINESS REVIEW

### (1) Sales of Products

For the year ended 31 December 2024, revenue of the Group amounted to approximately HK\$5,773,251,000, representing a decrease of 10.7% as compared to HK\$6,463,009,000 last year. A breakdown of revenue of the Group for the year ended 31 December 2024 is set out as follows:

	2024		2023		Increase/ (Decrease) %
	Revenue <i>HK\$'000</i>	Percentage of revenue %	Revenue <i>HK\$'000</i>	Percentage of revenue %	
Intravenous infusion solution and others	<b>5,585,094</b>	<b>96.7</b>	6,301,380	97.5	(11.4)
(Including: Non-PVC soft bag & upright soft bag infusion solution	<b>2,763,135</b>	<b>47.8</b>	2,975,403	46.0	(7.1)
PP plastic bottle infusion solution	<b>792,329</b>	<b>13.7</b>	827,264	12.8	(4.2)
Glass bottle infusion solution	<b>179,225</b>	<b>3.1</b>	238,076	3.7	(24.7)
Ampoule injection	<b>500,950</b>	<b>8.7</b>	826,103	12.8	(39.4)
Bulk pharmaceuticals	<b>784,583</b>	<b>13.6</b>	888,867	13.8	(11.7)
Oral preparations	<b>501,695</b>	<b>8.7</b>	478,195	7.4	4.9
Others)	<b>63,177</b>	<b>1.1</b>	67,472	1.0	(6.4)
Medical materials	<b>188,157</b>	<b>3.3</b>	161,629	2.5	16.4
Total	<b><u>5,773,251</u></b>	<b><u>100</u></b>	<b><u>6,463,009</u></b>	<b><u>100</u></b>	<b><u>(10.7)</u></b>

In 2024, the pharmaceutical market underwent multi-dimensional and profound changes, presenting more challenges and difficulties for the enterprises on sales of products. With regards to this, the Group promptly adjusting its marketing strategy. Through proactive measures such as optimizing cost structure, expanding product accessibility, and enhancing service quality and efficiency, the Group strived to cope with the continuously changing market environment, and the integrated operation of “bulk pharmaceuticals + preparations” achieved progress amidst stability. Throughout the year, the Group continued to deepen its presence in its dominant products which are intravenous infusion solutions market, focused

on increasing the market share of oral preparations and liquid injections, and kept increasing the sales proportion of high-value-added preparations, ensuring steady progress in core businesses. Meanwhile, the bulk pharmaceuticals and medical materials products business actively explored business opportunities and speeded up their breakthrough through “going out” and “bringing in” strategies.

During the year, the Group has continuously improved the market accessibility of its products. In 2024, the Group overcame the impact of adverse factors, effectively bridged between the approval and market entry of new products across various regions, and timely participated in the successive National Centralized Medicines Procurement and various drug tendering activities at inter-provincial and local levels. Throughout the year, a total of 44 generic names with 56 specifications were approved for market access. Among them, 13 generic names with 14 specifications, including Nicorandil for Injection, have achieved access in 30 or more provinces, while 29 generic names with 35 specifications, including Ropivacaine Hydrochloride and Sodium Chloride Injection, have achieved access in more than 20 provinces. At the same time, throughout the year, the Group participated in over a thousand drug tenders, including successive National Centralized Medicines Procurement, inter-provincial and local joint procurement, and by medical institutions, achieving outstanding performance and a clear advantage in winning tenders in the inter-provincial joint procurement, such as the 19-province (including autonomous regions and corps) joint procurement led by Henan Province, the Beijing-Tianjin-Hebei “3+N” centralized volume-based procurement the Guangdong Alliance’s centralized volume-based procurement such as Apixaban tablets, and the Jiangsu Alliance’s 4th-5th batch of successive National Centralized Medicines Procurement, which further consolidated the market foundation of the key regions. The Group’s products which were included in the National Medical Insurance Catalog continued to expand, with the first generic exclusive new product Stiripentol for Suspension successfully selected as a new variety in the new version of the 2024 National Medical Insurance Catalog through the medical insurance negotiation, and the new product, Etomidate Medium and Long Chain Fat Emulsion Injection, has also been selected. Currently, the Group has 162 products included in the National Medical Insurance Catalog.

The intravenous infusion solution and ampoule injection businesses remained stable. In 2024, the overall infusion solution of the Group achieved an aggregate sales volume of 2,036 million bottles (bags), representing an increase of 6.7% as compared to last year with a revenue of HK\$3,735 million, representing a decrease of 7.6% as compared to last year. This was mainly due to sluggish demand and price decline in the basic infusion existing market as affected by a combination of policy and market factors, which resulted in weaker-than-expected growth. Nevertheless, in 2024, some therapeutic infusion solution products of the Group still achieved growth, among which, the sales volume of Peritoneal Dialysis Solution reached 8.55 million bags, representing an increase of 81% as compared to last year; the sales volume of Moxifloxacin Hydrochloride and Sodium Chloride Injection was approximately 17.98 million bags, representing an increase of 5% as compared to last year. During the year, the aggregated sales volume of ampoule injection products reached 313 million pieces, representing an increase of 1.3% as compared to last year. Among which, the

sales volume of Glucose Injection was 32.40 million pieces, representing an increase of 128% as compared to last year; the sales volume of Ipratropium Bromide was 12.14 million pieces, representing an increase of 163% as compared to last year; the sales volume of Doxofylline was 31.68 million pieces, representing an increase of 57% as compared to last year.

The Group experienced further growth in the production and sales scale of its oral preparations business segment. Through proactively adjusting market layout and stepping up professional promotion, the Group strengthened the business cooperation with the top 100 chain pharmacies and pushed forward the commercial chain to speed up the development of end market. Oral preparations products such as Felodipine Sustained-release Tablets, Rosuvastatin Calcium Tablets, Azithromycin Tablets, Azithromycin Dispersible Tablets, and Moxifloxacin Hydrochloride Tablets achieved relatively fast growth. Among them, the sales volume of Rosuvastatin Calcium Tablets was 191.19 million tablets, representing an increase of approximately 194% as compared to last year; the sales volume of Cefaclor for Suspension was 92.37 million bags, representing an increase of approximately 34% as compared to last year. In 2024, the revenue of oral preparations products reached approximately HK\$502 million, representing an increase of approximately 4.9% as compared to last year.

The overall business of the bulk pharmaceuticals segment was affected by the international market and pricing factors. In 2024, sales revenue of bulk pharmaceuticals reaching approximately HK\$785 million, representing a decrease of 11.7% as compared to last year. Among them, caffeine actively expanded its international market business, achieving stable sales growth, with a sales volume of 5,478 tons, representing an increase of 44% compared to the previous year. The external sales volume of Metronidazole reached 163 tons, representing a decrease of 43% compared to the previous year. The external sales volume of Azithromycin was approximately 295 tons, remaining roughly unchanged compared to the previous year. We expect that the bulk pharmaceuticals business is likely to bottom out and stabilize next year, with a recovery in prosperity and achieving recovery growth.

Production and sales of medical materials have achieved steady improvement. Jiangsu Best New Medical Material has focused on product technology updates, continued to step up efforts in the research and development of and marketing promotion for high-end and high-quality pharmaceutical packaging materials with special application scenarios and industry foresight, strengthened the complementarity between its key products and the industrial chain, and proactively enhanced the partnerships with several large domestic pharmaceutical enterprises. The market penetration capability and coverage rate of key packaging material products such as butyl rubber stoppers, gaskets, and multi-layer co-extrusion films have been effectively improved. The multi-layer co-extrusion bioprocessing film has achieved bulk supply, and the newly developed products such as butyl rubber pistons for pre-filled syringes, laminated series butyl rubber stoppers, specialized films for peritoneal dialysis solution, specialized films for peritoneal drainage bags, and non-PVC infusion soft tubes have started sales, becoming new highlights of the business. In 2024, the external sales volume of Jiangsu Best New Medical Material outside the Group reached HK\$188 million, an increase of HK\$26 million compared to 2023, representing a

growth of 16.4%. While maintaining growth in the domestic market, we actively explore overseas markets. The export of liquid storage bag bioreactor film products achieved a breakthrough from “nil” and the export volume of rubber stopper products also increased.

The export of preparations continues to grow steadily. During the year, the Asian market, a key export region, experienced a significant surge, with sales volume growing 23% as compared to last year. In 2024, the export sales volume of infusion solutions reached approximately 118 million bottles (bags), representing an increase of approximately 11% compared to last year. The export sales revenue of infusion solutions reached approximately HK\$178 million, representing an increase of approximately 9% compared to last year. Meanwhile, the Group developed 28 new customers, with preparations products exported to over 100 countries and regions worldwide. During the year, the Group obtained 47 product registration certificates in 19 countries including the United Arab Emirates, Costa Rica, the Philippines, Nigeria, and Uruguay. To date, the Group has accumulated 435 product registration certificates in nearly a hundred countries and has passed official audits in more than 10 countries, including the Philippines, Pakistan, Peru, Madagascar, Kenya, and Cameroon.

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

During the year, the Group has continuously intensified the development of new products such as specialized generic drugs, drugs in shortage, orphan drugs, innovative drugs, and bulk pharmaceuticals, maintaining a leading position in the industry in terms of the number of submissions and approvals. During the year, the Group was once again awarded the titles of “Best Industrial Enterprise for Pharmaceutical R&D Product Line in China” and “Provincial Enterprise Technology Innovation Award”. Three products, including Sodium Bicarbonate Injection, were recognized as the first batch of national patent-intensive products. The “application based on parametric release under the 21235 risk management and control model” established during the production process of the core product infusion preparations has been successfully selected as a typical case of quality improvement and brand building by the Ministry of Industry and Information Technology.

The research and development of new products has achieved significant results. The Group focuses on market demand and strives to strategically deploy in the fields of antiviral, antibacterial, neurological system, cardiovascular, digestive, anesthesia and analgesia, and anti-tumor products. During the year, 112 production approvals and 7 clinical approvals were obtained, among which there were 81 production approvals for preparations and 24 for bulk pharmaceuticals. Among them, 22 specifications were the first three approvals, in particular the anti-infective drug Linezolid for Oral Suspension, the Parkinson’s disease treatment drug Levodopa-Carbidopa Sustained-release Tablets, Entacapone, Levodopa and Carbidopa Tablets (II), and Betahistine Mesilate Tablets for the treatment of Meniere’s syndrome and vertigo are all the first generic drug in China. The analgesic drug Nefopam Hydrochloride Injection is the first in China to pass consistency evaluation. Sodium Bicarbonate Injection 50ml,

Cefuroxime Axetil for Suspension 0.25g, Chlorphenamine Maleate Injection 2ml, and Potassium Chloride Injection 20ml are all the first specification to pass the evaluation in China.

During the year, 131 projects for product approvals were submitted, of which 76 were new liquid and solid preparations as well as 27 were bulk pharmaceuticals. There were 19 product specifications being the first three submitted applications, in particular the antihypertensive drug Urapidil Sustained-release Capsules and Nicardipine Hydrochloride and Sodium Chloride Injection, the nutrition and electrolyte drug Lipid-Soluble Vitamin Injection and Potassium Chloride and Sodium Chloride Injection, the drug for treatment of respiratory failure Doxapram Hydrochloride Injection, and the surgical irrigation drug Sodium Lactated Ringer's Irrigation Solution are all the first submitted. The continuous enrichment of the product development pipeline strongly promotes the Group's quality and efficiency improvement and industrial upgrading.

Positive progress has been made in the research of innovative drugs. The self-developed Type I new drug SYN045 has received approval for clinical trials and is currently undergoing Phase I clinical trials. Type 1 chemical innovative drug ADN-9 for anti-liver fibrosis has completed preclinical research, aiming to submit the clinical trial application in 2025.

Phased results have been achieved in the Group's development of complex preparations. For the development of solid preparations, the Group has established a technology platform for slow-release and osmotic pumps, leading to the development layout of several preparations with high technical requirements and high industrialization thresholds. Levodopa-Carbidopa Sustained-release Tablets, Entacapone, Levodopa and Carbidopa Tablets (II), and Bisoprolol Fumarate and Amlodipine Besilate Tablets have been successively approved for production. Doxazosin Mesylate Extended-Release Tablets, Tolterodine L-Tartrate Sustained-Release Capsules, Dapagliflozin and Metformin Extended-Release Tablets (I), and Urapidil Sustained-release Capsules are being successively submitted for registration. For liquid preparations, the Group has established a therapeutic emulsion technology platform and a liposome technology platform. Propofol Medium and Long Chain Fat Emulsion Injection as well as Etomidate Medium and Long Chain Fat Emulsion Injection have been approved for production. The registration applications for Lipid-Soluble Vitamin Injection and Water-soluble Progesterone Injection have been submitted and are currently under review. The pilot-scale study on Doxorubicin Hydrochloride Liposome Injection has been completed, and in vivo bioequivalence study is planned. Meanwhile, the Group is actively developing various liposome projects in the areas of anti-tumor and mental diseases, followed by laying out the research of several complex preparations, including sustained-release microspheres, microcrystals, and long-acting injections. These endeavors highlighted the Group's growing technological influence in the field of complex preparations.

The consistency evaluation of generic drugs has fruitful results. In 2024, Nefopam Hydrochloride Injection became the first in the industry to pass the consistency evaluation. Chlorphenamine Maleate Injection (1ml) and Multiple Electrolytes Injection were the second to pass the consistency evaluation. To date, the aggregated number of the Group's products that have passed the consistency evaluation or been regarded as passing the consistency evaluation reached 117 types with 156 specifications. The increasingly rich matrix of products which passed consistency evaluation has created favorable conditions for optimizing product mix, exploring diversified markets, and enhancing product accessibility.

The effectiveness of intellectual property rights protection efforts is remarkable. In 2024, the Group applied for 88 patents and obtained 51 authorizations. Currently, the Group has cumulatively applied for 552 patents and obtained 340 authorizations. Currently, the Group owns 315 valid patents, including 155 invention patents.

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

During the year, the Group coordinated the progress of industrial infrastructure construction projects, including plastic bottle injection production line, ready-made double-chamber bags for large-volume injection production line, and sterile preparations of hormones production line. Additionally, the Group has made progress in the construction of new and ongoing projects, including Pharmaceutical Integration and Innovation Development Demonstration Project, and high-end bulk pharmaceuticals construction project. All projects have been completed except for Pharmaceutical Integration and Innovation Development Demonstration Project, which is progressing in an orderly manner as planned. Among them, the construction project of the plastic bottle injection production line passed the GMP compliance inspection in November 2024 and has been formally put into production.

### III. PROSPECTS FOR DEVELOPMENT

Currently, adverse effects brought by changes in external environment have deepened, and pharmaceutical industry both domestically and internationally still faces numerous difficulties and challenges. Various risks and challenges such as insufficient demand, low prices, rising costs, trade protectionism, and intensified internal competition remain prevalent. Facing the new situation and changes in pharmaceutical industry, the Group will confront difficulties with confidence, adhere to innovation, and coordinate efforts to improve new market and revitalize existing market. The Group aims to comprehensively enhance resource allocation efficiency, manage the transition between new and old growth drivers, and develop new quality productivity tailored to local conditions. We will continuously promote the deep integration of the innovation chain, supply chain and value chain, facilitate the domestic-international dual circulation, and achieve the goals of solid expectations and steady growth.

1. To establish and improve operational mechanisms that better adapt to current policies and market conditions. Focusing on market, quality and cost control, we carry on traditional advantageous business forms to actively plan and establish business models which take into account both innovation and compliant continuously optimizing organizational structure and management mechanisms, expanding business scope, and strengthening business capabilities. We actively prevent and mitigate market risks (such as internal competition) and external shocks, driving the enhancement of R&D and production efficiency from the marketing end, further reducing costs, solidifying expectations, stimulating vitality and continuously improving operational quality of the Group.
2. On the preparations business, the Group will focus on quality improvement and efficiency enhancement. The Group adheres to the balanced development of traditional dominant products and new product markets, further promotes the optimization and upgrading of the production and sales mix, and strives to transform innovation advantages into market advantages and development advantages. Focus on the difficulties, blockages, and bottlenecks in the preparations business, we will establish and implement a differentiated assessment mechanism to quantify tasks and assign responsibilities to individuals. While further expanding the market share of basic infusion solutions in classified hospitals, we are extending the end market downward and increasing efforts to develop primary community medical institutions. We are striving to stabilize existing market, expanding new markets, and improving quality, ensuring continuous growth in the production and sales of infusions. For 2025, the sales volume target for infusion solutions products is expected to be 2.15 billion bottles (bags), representing an increase of 6% compared to 2024. At the same time, we will strengthen the clinical business team that meets its own development and market requirements, and use professional and compliance marketing strategies to focus on the market development of products such as Azithromycin Tablets, Azithromycin Dry Suspension, Pitavastatin Calcium Tablets, Rosuvastatin Calcium Tablets, Ornidazole Tablets, Epalrestat Tablets, Valsartan and Amlodipine Tablets (I), and Felodipine Sustained-release Tablets. At the same time, we will optimize marketing channels and accelerate the market layout of new products such as Lurasidone Hydrochloride Tablets, Cinacalcet Hydrochloride



Tablets, Pentoxifylline Sustained-release Tablets, Thioctic Acid Injection, Ropivacaine Hydrochloride and Sodium Chloride Injection, Compound Potassium Phosphate Injection, Clonoxacin for Injection, Phenylephrine Hydrochloride Injection, Isoprenaline Hydrochloride Injection, and Hemofiltration Basic Solution. We will deeply explore the market potential of new products in forms of such as oral, ampoule injection and lyophilized powder to promote the continuous expansion of the sales proportion of non-infusion products. Relying on international certification, we will promote the Group's preparations for export business to achieve increases in both volume and price, and "set sail" overseas. We will strengthen compliance in operations, implement customer credit management, increase efforts in the collection and turnover of accounts receivable to avoid operational risks as much as possible.

3. On the bulk pharmaceuticals business, the Group will continuously improve the product mix of Guangxiang Pharmaceutical and Guolong Pharmaceutical, accelerate the implementation and transformation of new high-value-added specialised products, and pursue integrated development in high-end, intelligent and green to continuously empower the resilience and vitality of bulk pharmaceuticals development. We will focus on the export of commodity bulk pharmaceuticals such as caffeine, while stabilizing the customer base in regions including America, Europe, South Asia and Southeast Asia, actively planning sales branches in Europe and America to further expand the sales channels for core products like caffeine. We will strive to extend service reach, and aim for a year-on-year revenue growth rate of 20% in 2025. At the same time, the Group will strengthen efforts to develop domestic customers, broaden the associated review mechanism with downstream preparation enterprises, and explore the specialized bulk pharmaceuticals market through multiple channels.
4. To continue promoting enterprise innovation. The Group will firmly adhere to the strategy of "combination of generic and innovative drugs", closely integrating the development of "bulk pharmaceuticals + preparations". We will focus on accelerating the development and layout of product pipeline in improved innovative drugs, specialized generic drugs, high-end complex preparations, and specialized high-end bulk pharmaceuticals and medical packaging materials. The Group will continuously explore high-quality research projects, and enhance R&D capabilities. By fully leveraging the innovation mechanism of industry-academia-research-application and technologies such as "AI+", we aim to accelerate the market launch of innovative achievements, continuously optimize the innovation ecosystem, and create new advantages in R&D approval and application efficiency. In 2025, we aim to obtain 98 various national approvals, including 33 for liquid preparations, 26 for solid preparation products, 19 for bulk pharmaceuticals, and 20 for supplementary applications (including consistency evaluation), continuously empowering the enterprise to ascend to the mid-to-high end of the value chain with innovation achievements.

5. To systematically advance the construction progress of new and ongoing projects. Keep on advancing the ongoing pharmaceutical integration and innovation development demonstration projects, and establishing new production lines for oral liquid formulations of new drugs and cephalosporin powder injection formulations. Based on the industrial development and scale enhancement of the Group, starting with the industrialization of innovative achievements, we will focus on the integration of results conversion and digital transformation, striving for early completion, early production and early effectiveness, and continuously accumulate momentum and energy for the sustainable development of the Group.

The Group will leverage its own strengths to actively seek opportunities for mergers and acquisitions as well as investments in the pharmaceutical industry, with the aim of enhancing and strengthening the supply chain, creating new growth poles, and reinforcing the Group's position in the product and capital markets to increase the return on investment. Despite the tough road ahead, we are foreseeing positive results and bright prospects with a higher courage to overcome difficulties. In this new year, the Group will unite as one, stick to new targets, and apply self-pressure to seek breakthroughs and rooms through innovation and transformation. By seeking innovation amid change and advancing with breakthroughs, the Group will rise to the challenges with a strong confidence, and strive to implement and achieve the key task and targets for year 2025. We firmly believe that with our advantages in scale, quality, management and branding built up in the industry over the years, and with our continuous 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 in the development of the Group.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	2024 HK\$'000	2023 HK\$'000
<b>Revenue</b>	3	5,773,251	6,463,009
Cost of sales		<u>(2,864,989)</u>	<u>(2,843,370)</u>
<b>Gross profit</b>		2,908,262	3,619,639
Other net income		160,943	148,762
Selling and distribution costs		(1,143,425)	(1,532,591)
General and administrative expenses		(299,210)	(308,321)
Research and development costs		(265,969)	(289,748)
(Provision for)/reversal of impairment loss on trade and other receivables		(6,492)	1,160
Other operating expenses		<u>(10,609)</u>	<u>—</u>
<b>Profit from operations</b>		<u>1,343,500</u>	<u>1,638,901</u>
Finance income		38,491	39,471
Finance costs		<u>(126,881)</u>	<u>(125,413)</u>
Finance costs – net	4(a)	(88,390)	(85,942)
Share of profit of an associate		<u>26,493</u>	<u>30,610</u>
<b>Profit before taxation</b>	4	1,281,603	1,583,569
Income tax	5	<u>(205,995)</u>	<u>(254,281)</u>
<b>Profit for the year</b>		<u>1,075,608</u>	<u>1,329,288</u>
<b>Other comprehensive income for the year, net of nil tax</b>			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		<u>(197,635)</u>	<u>(126,947)</u>
<b>Other comprehensive income for the year</b>		<u>(197,635)</u>	<u>(126,947)</u>
<b>Total comprehensive income for the year</b>		<u>877,973</u>	<u>1,202,341</u>

	<i>Note</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<b>1,061,150</b>	1,318,616
Non-controlling interests		<b>14,458</b>	10,672
		<u>1,075,608</u>	<u>1,329,288</u>
<b>Profit for the year</b>			
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>870,411</b>	1,196,504
Non-controlling interests		<b>7,562</b>	5,837
		<u>877,973</u>	<u>1,202,341</u>
<b>Total comprehensive income for the year</b>			
<b>Earnings per share</b>			
– Basic	<i>6(a)</i>	<b>HK\$0.3582</b>	HK\$0.4441
– Diluted	<i>6(b)</i>	<b>HK\$0.3581</b>	HK\$0.4426

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2024

(Expressed in Hong Kong dollars)

		31 December 2024	31 December 2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		5,348,764	4,667,750
Right-of-use assets		392,580	385,362
Intangible assets		1,247,089	1,157,425
Interests in an associate		420,137	422,681
Deferred tax assets		50,179	37,880
Pledged bank deposits and fixed deposits		84,010	171,121
		<u>7,542,759</u>	<u>6,842,219</u>
<b>Current assets</b>			
Inventories		1,109,462	1,086,282
Trade and bills receivables	7	2,226,355	2,177,050
Prepayments, deposits and other receivables		220,590	199,117
Trading securities		34,999	-
Pledged bank deposits and time deposits		211,813	46,460
Cash and cash equivalents		1,257,702	1,615,208
		<u>5,060,921</u>	<u>5,124,117</u>
<b>Current liabilities</b>			
Borrowings		654,927	1,420,573
Trade and bills payables	8	547,618	407,929
Contract liabilities		50,426	70,378
Lease liabilities		2,283	2,188
Accruals and other payables		552,349	543,211
Income tax payable		13,347	77,161
		<u>1,820,950</u>	<u>2,521,440</u>
<b>Net current assets</b>		<u>3,239,971</u>	<u>2,602,677</u>
<b>Total assets less current liabilities</b>		<u>10,782,730</u>	<u>9,444,896</u>

	<i>Note</i>	<b>31 December 2024 HK\$'000</b>	31 December 2023 HK\$'000
<b>Non-current liabilities</b>			
Borrowings		<b>2,981,004</b>	1,947,568
Lease liabilities		<b>1,476</b>	3,759
Deferred tax liabilities		<b>17,571</b>	21,163
Deferred revenue		<b>247,029</b>	203,714
		<u><b>3,247,080</b></u>	<u>2,176,204</u>
<b>NET ASSETS</b>		<u><b>7,535,650</b></u>	<u>7,268,692</u>
<b>CAPITAL AND RESERVES</b>			
	9		
Share capital		<b>65,966</b>	66,188
Reserves		<b>7,154,274</b>	6,866,346
<b>Total equity attributable to equity shareholders of the Company</b>		<b>7,220,240</b>	6,932,534
<b>Non-controlling interests</b>		<b>315,410</b>	336,158
<b>TOTAL EQUITY</b>		<u><b>7,535,650</b></u>	<u>7,268,692</u>

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries.

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

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

#### *Changes in accounting policies*

##### *New and amended HKFRSs*

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

- Amendments to HKAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* (“2020 amendments”) and 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*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

***Amendments to HKAS 1, Presentation of financial statements (the 2020 and 2022 amendments, collectively the “HKAS 1 amendments”)***

The HKAS 1 amendments impact the classification of a liability as current or non-current, and have been applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

The amendments have no effect on the Group’s consolidated statement of profit or loss, cash flows and earnings per share.

***Amendments to HKFRS 16, Leases – Lease liability in a sale and leaseback***

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

***Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: disclosures – Supplier finance arrangements***

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. The amendments do not have a material impact on these financial statements as the Group has not entered into any supplier finance arrangements.



## 2. Segment reporting

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

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

	2024			
	Intravenous infusion solution and others <i>HK\$'000</i>	Medical materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	5,584,717	188,037	–	5,772,754
Over time	377	120	–	497
Revenue from external customers	5,585,094	188,157	–	5,773,251
Inter-segment revenue	–	216,908	–	216,908
<b>Reportable segment revenue</b>	<b>5,585,094</b>	<b>405,065</b>	<b>–</b>	<b>5,990,159</b>
<b>Operating profit or loss/segment results</b>	<b>1,345,740</b>	<b>18,843</b>	<b>(21,083)</b>	<b>1,343,500</b>
Finance income	37,607	542	342	38,491
Finance costs	(66,382)	–	(60,499)	(126,881)
Share of profit of an associate	26,493	–	–	26,493
<b>Profit/(loss) before taxation</b>	<b>1,343,458</b>	<b>19,385</b>	<b>(81,240)</b>	<b>1,281,603</b>
Income tax	(196,287)	(9,708)	–	(205,995)
<b>Reportable segment profit/(loss) for the year</b>	<b>1,147,171</b>	<b>9,677</b>	<b>(81,240)</b>	<b>1,075,608</b>
Depreciation and amortisation for the year	433,583	19,783	2,285	455,651
Provision for/(reversal of) impairment of receivables	7,013	(521)	–	6,492
Impairment of internally generated capitalised development costs	16,304	–	–	16,304
Impairment of goodwill	10,609	–	–	10,609
<b>Total assets/reportable segment assets (including interests in an associate)</b>	<b>11,979,257</b>	<b>546,603</b>	<b>77,820</b>	<b>12,603,680</b>
Additions to non-current assets	1,413,854	50,097	102	1,464,053
<b>Total liabilities/reportable segment liabilities</b>	<b>3,980,629</b>	<b>48,721</b>	<b>1,038,680</b>	<b>5,068,030</b>

	Intravenous infusion solution and others <i>HK\$'000</i>	Medical materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	6,295,630	161,513	–	6,457,143
Over time	5,750	116	–	5,866
Revenue from external customers	6,301,380	161,629	–	6,463,009
Inter-segment revenue	–	225,824	–	225,824
<b>Reportable segment revenue</b>	<b>6,301,380</b>	<b>387,453</b>	<b>–</b>	<b>6,688,833</b>
<b>Operating profit or loss/segment results</b>	1,641,613	17,651	(20,363)	1,638,901
Finance income	34,677	605	4,189	39,471
Finance costs	(64,427)	–	(60,986)	(125,413)
Share of profit of an associate	30,610	–	–	30,610
<b>Profit/(loss) before taxation</b>	1,642,473	18,256	(77,160)	1,583,569
Income tax	(247,585)	(6,696)	–	(254,281)
<b>Reportable segment profit/(loss) for the year</b>	<b>1,394,888</b>	<b>11,560</b>	<b>(77,160)</b>	<b>1,329,288</b>
Depreciation and amortisation for the year	383,086	20,108	2,380	405,574
Reversal of impairment of receivables	(577)	(583)	–	(1,160)
Impairment and write-off of internally generated capitalised development costs	10,617	–	–	10,617
<b>Total assets/reportable segment assets (including interests in an associate)</b>	<b>11,323,223</b>	<b>522,535</b>	<b>120,578</b>	<b>11,966,336</b>
Additions to non-current assets	1,160,123	38,537	6,583	1,205,243
<b>Total liabilities/reportable segment liabilities</b>	<b>3,596,223</b>	<b>48,040</b>	<b>1,053,381</b>	<b>4,697,644</b>

### 3. Revenue

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

#### (i) Disaggregation of revenue

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregation by major products or service lines		
– Sales of pharmaceutical products	5,548,885	6,258,527
– Sales of medical materials	185,013	158,745
– Services income	10,700	13,848
– Sales of raw materials and by-products	28,533	31,773
	<u>5,773,131</u>	<u>6,462,893</u>
<b>Revenue from other source</b>		
– Rental income	120	116
	<u>5,773,251</u>	<u>6,463,009</u>
Disaggregated by geographical location of customers		
– The PRC (place of domicile)	5,048,646	5,801,367
– Other countries	724,605	661,642
	<u>5,773,251</u>	<u>6,463,009</u>

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

The directors have determined that no geographical segment information of specified non-current assets is presented as over 95% (2023: 95%) of the non-current assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

For the year ended 31 December 2024, no customer with whom transactions have exceeded 10% of the Group's revenue.

#### 4. Profit before taxation

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

##### (a) Finance income and costs

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Finance income:		
– Interest income on bank deposits	(29,546)	(33,924)
– Net foreign exchange gain	(8,945)	(5,547)
	<u>(38,491)</u>	<u>(39,471)</u>
<b>Finance income</b>	<b><u>(38,491)</u></b>	<b><u>(39,471)</u></b>
Finance costs:		
– Interest expense of borrowings	126,679	125,165
– Interest on lease liabilities	202	248
	<u>126,881</u>	<u>125,413</u>
<b>Finance costs</b>	<b><u>126,881</u></b>	<b><u>125,413</u></b>
<b>Finance costs – net</b>	<b><u>88,390</u></b>	<b><u>85,942</u></b>

##### (b) Staff costs

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contributions to defined contribution retirement plan	65,836	55,813
Salaries, wages and other benefits	708,999	661,218
	<u>774,835</u>	<u>717,031</u>
	<b><u>774,835</u></b>	<b><u>717,031</u></b>

(c) *Other items*

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Research and development costs	466,925	471,076
<i>Less: Costs capitalised into intangible assets</i>	<u>(200,956)</u>	<u>(181,328)</u>
	<u>265,969</u>	<u>289,748</u>
Amortisation <sup>#</sup>		
– intangible assets	64,704	43,614
<i>Less: Amount capitalised as development costs</i>	<u>(82)</u>	<u>(66)</u>
	<u>64,622</u>	<u>43,548</u>
Depreciation charges <sup>#</sup>		
– owned property, plant and equipment	395,067	365,096
– right-of-use assets	11,672	10,673
<i>Less: Amount capitalised as property, plant and equipment and development costs</i>	<u>(15,710)</u>	<u>(13,743)</u>
	<u>391,029</u>	<u>362,026</u>
Provision for/(reversal of) impairment losses		
– trade receivables	6,181	(1,211)
– other receivables	311	51
Auditors' remuneration – audit services	3,297	2,996
Cost of inventories <sup>#</sup>	2,860,353	2,878,283
Other expenses		
– transportation expenses	309,435	344,826
– utility expenses	344,285	462,144
– advertising expenses	172,777	259,116
– marketing and promotion service expenses	477,407	758,138
– travelling, meeting and entertainment expenses	77,569	72,420
– surcharges and other tax expenses	66,017	67,124

<sup>#</sup> Cost of inventories includes HK\$710,687,000 (2023: HK\$640,886,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

## 5. Income tax

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax – the PRC Corporate Income Tax (“CIT”)	222,463	264,184
Deferred tax – origination and reversal of temporary differences	<u>(16,468)</u>	<u>(9,903)</u>
	<u><u>205,995</u></u>	<u><u>254,281</u></u>

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

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2024 and 2023 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

Shijiazhuang No. 4 Pharmaceutical Co., Ltd. (“Shijiazhuang No.4”), Jiangsu Best New Medical Material Co., Ltd. (“Jiangsu Best”), Hebei Guangxiang Pharmaceutical Co., Ltd. (“Hebei Guangxiang”), Cangzhou Lingang Youyi Chemical Co., Ltd. (“Youyi Chemical”) and Hebei Guolong Pharmaceutical Co., Ltd. have been certified as High and New Technology Enterprises (“HNTE”) in 2024, 2023, 2023, 2022 and 2023, respectively. According to the tax incentives rules of the CIT Law of the PRC (the “CIT Law”) for HNTE, these entities are subject to a reduced corporate income tax rate of 15% for three years. 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%.

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

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

	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>1,281,603</b>	1,583,569
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	<b>325,994</b>	401,989
Effect of the PRC preferential tax rates	<b>(133,614)</b>	(161,980)
Effect of non-deductible expenses	<b>21,658</b>	17,400
Additional deduction of research and development expenditures	<b>(37,116)</b>	(36,324)
Withholding tax on profit distributions	<b>34,088</b>	32,914
Others	<b>(5,015)</b>	282
Actual tax expense	<b>205,995</b>	254,281

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\$1,061,150,000 (2023: HK\$1,318,616,000) and the weighted average of 2,962,512,000 ordinary shares (2023: 2,969,386,000 ordinary shares) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

	<b>2024</b>	2023
	<b>'000</b>	'000
Issued ordinary shares at 1 January	<b>2,965,743</b>	2,972,683
Effect of purchase and cancellation of own shares	<b>(3,231)</b>	(3,297)
Weighted average number of ordinary shares at 31 December	<b>2,962,512</b>	2,969,386



**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$1,061,150,000 (2023: HK\$1,318,616,000) and the weighted average of 2,963,122,000 ordinary shares (2023: 2,978,999,000 ordinary shares) after adjusting the effect of dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	<b>2024</b>	2023
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares at 31 December (basic)	<b>2,962,512</b>	2,969,386
Effect of deemed issue of shares under the Company's share option scheme	<b>610</b>	9,613
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December (diluted)	<b>2,963,122</b>	2,978,999
	<hr/> <hr/>	<hr/> <hr/>

**7. Trade and bills receivables**

	<b>2024</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	<b>2,109,727</b>	1,987,818
Bills receivable	<b>135,461</b>	201,961
	<hr/>	<hr/>
	<b>2,245,188</b>	2,189,779
<i>Less:</i> Loss allowance	<b>(18,833)</b>	(12,729)
	<hr/>	<hr/>
	<b>2,226,355</b>	2,177,050
	<hr/> <hr/>	<hr/> <hr/>

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

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

As at 31 December 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 six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. Bills receivable were therefore derecognised.

As at 31 December 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 HK\$730 million (31 December 2023: HK\$612 million).

### *Ageing analysis*

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

	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 year	2,227,244	2,187,785
1 to 2 years	17,607	1,541
More than 2 years	337	453
	<u>2,245,188</u>	<u>2,189,779</u>

## **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:

	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 3 months	284,273	320,548
4 to 6 months	244,241	73,022
7 to 12 months	11,328	8,896
More than 1 year	7,776	5,463
	<u>547,618</u>	<u>407,929</u>

## 9. Dividends and share capital

### (a) Dividends

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interim dividend declared and paid of HK8.0 cents per ordinary share (2023: HK7.0 cents per ordinary share)	237,222	207,903
Final dividend proposed after the end of the reporting period of HK9.5 cents per ordinary share (2023: HK10.0 cents per ordinary share)	<u>280,622</u>	<u>296,904</u>
	<u><u>517,844</u></u>	<u><u>504,807</u></u>

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

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK10.0 cents per share (2023: HK8.0 cents per share)	<u>296,904</u>	<u>237,604</u>

### (b) Issued share capital

	2024		2023	
	No. of shares ( <i>'000</i> )	<i>HK\$'000</i>	No. of shares ( <i>'000</i> )	<i>HK\$'000</i>
<b>Ordinary shares of HK\$0.02 each, issued and fully paid:</b>				
At 1 January	2,969,043	66,188	2,973,883	66,285
Repurchase and cancellation of own shares	<u>(11,084)</u>	<u>(222)</u>	<u>(4,840)</u>	<u>(97)</u>
	<u><u>2,957,959</u></u>	<u><u>65,966</u></u>	<u><u>2,969,043</u></u>	<u><u>66,188</u></u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

For the year ended 31 December 2024, the review on the Group’s business performance and financial performance are contained in the Chairman’s statement under section headed “BUSINESS REVIEW” and in this Management Discussion and Analysis under section headed “FINANCIAL PERFORMANCE REVIEW” respectively. The future development in the Group’s business is discussed in the Chairman’s statement under section headed “PROSPECTS FOR DEVELOPMENT”.

### **FINANCIAL PERFORMANCE REVIEW**

#### **Revenue**

The Group’s intravenous infusion solution 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 solution products, including Non-PVC Soft Bag, Upright Soft Bag, PP Plastic Bottle and Glass Bottle, while ampoule injection products are mainly small liquid injections in forms of 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 Cangzhou Lingang Youyi Chemical Co., Ltd. (“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 1.2% when translated into Hong Kong dollars (“HK\$”) for the year ended 31 December 2024 as compared with last year on average. In terms of HK\$, revenue of the Group decreased to HK\$5,773,251,000 for the year ended 31 December 2024 (2023: HK\$6,463,009,000), representing a decrease of 10.7% on a year-to-year basis, mainly due to a drop in revenue from Non-PVC Soft Bag infusion solution and from ampoule injections.

For the year ended 31 December 2024, despite an overall volume growth of 6.7% in intravenous infusion solution (“IV”), the average selling price has dropped amid changes in drug tenders and product mix during the year. As a result, revenue from IV accounted for HK\$3,734,689,000 (2023:HK\$4,040,743,000), representing a decrease of 7.6% on a year-to-year basis. Among which, revenue from Non-PVC Soft Bag infusion solution was HK\$1,751,834,000, representing 46.9% of the revenue from IV and a decrease of 16.4% compared with last year arising from drop in both volume and price; on the other hand, revenue from Upright Soft Bag infusion solution was HK\$1,011,301,000, representing 27.1% of the revenue from IV and an increase of 14.8% compared with last year as contributed by new production lines; revenue from PP Plastic Bottle infusion solution was HK\$792,329,000, representing 21.2% of the revenue from IV and a decrease of 4.2% compared with last year; revenue from Glass Bottle infusion solution was HK\$179,225,000, representing 4.8% of the revenue from IV and a decrease of 24.7% compared with last year due to a significant drop in volume.

For the year ended 31 December 2024, revenue from ampoule injections accounted for HK\$500,950,000 (2023: HK\$826,103,000). Despite of an overall increase in sales volume of ampoule products, revenue dropped by 39.4% as compared with last year mainly due to drop in average selling price of ampoule products and significant reduction in sales of Bromhexine Hydrochloride Injection which was no longer conducted through the National Centralised Procurement (details are set out in the Company’s 2024 Interim Report under the section headed “Relationship with stakeholders”). Revenue from bulk pharmaceuticals accounted for HK\$784,583,000 (2023: HK\$888,867,000), representing a decrease of 11.7% as compared with 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\$501,695,000 (2023: HK\$478,195,000), representing a growth of 4.9% as compared to last year which was contributed by growth in Cefdinir Capsules, Rosuvastatin Calcium Tablets, Cefaclor and Azithromycin Dry Suspension and other new products of oral preparations.

For the year ended 31 December 2024, revenue from medical materials products contributed HK\$188,157,000 (2023: HK\$161,629,000) to the Group, representing a increase of 16.4% as compared with last year due to a recovery in medical materials market. The Group will keep focusing its production in high quality intravenous infusion solution products such as 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.

### **Cost of Sales**

The Group has been adopting various cost control measures such as production process optimization, equipment modification and energy conservation. For the year ended 31 December 2024, the Group’s cost of sales slightly increased by 0.8% to HK\$2,864,989,000 as compared to last year of HK\$2,843,370,000 amid an overall growth in sales volume. The cost of direct materials, direct labour and other costs represented approximately 60.7%, 14.2% and 25.1% of the total cost of sales respectively for the year ended 31 December 2024 while their comparative percentages for 2023 were 59.7%, 13.8% and 26.5% respectively.

## **Gross Profit Margin**

For the year ended 31 December 2024, the Group recorded a total gross profit of HK\$2,908,262,000 (2023: HK\$3,619,639,000). As compared with last year, there were a larger proportion of revenue from finished medicines being sold through centralised procurement and drop in average selling prices of existing IV and ampoule injections products during the year, but meanwhile they contributed to the reduction of selling and distribution costs. As a result, overall gross profit margin decreased by 5.6 percentage point to 50.4% for the year ended 31 December 2024 from 56.0% of last year.

## **Other Net Income**

For the year ended 31 December 2024, the Group's other net income increased to HK\$160,943,000 (2023: HK\$148,762,000) which mainly represented government grants.

## **Selling and Distribution Costs**

For the year ended 31 December 2024, selling and distribution costs amounted to approximately HK\$1,143,425,000 (2023: HK\$1,532,591,000), which was mainly consisted of advertising, marketing and promotion expenses of approximately HK\$650,184,000 (2023: HK\$1,017,254,000), transportation cost of approximately HK\$297,799,000 (2023: HK\$338,154,000) as well as salary expenses for sales and marketing staff of approximately HK\$106,531,000 (2023: HK\$93,963,000).

Selling and distribution costs significantly reduced by 25.4% for the year ended 31 December 2024 as compared with 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 drop in advertising, marketing and promotion expenses from last year.

## **General and Administrative Expenses**

For the year ended 31 December 2024, general and administrative expenses was approximately HK\$299,210,000 (2023: HK\$308,321,000) which mainly comprised salaries expenses for administrative staff of approximately HK\$147,297,000 (2023: HK\$122,424,000), depreciation and amortisation (other than research and development) expenses of approximately HK\$62,139,000 (2023: HK\$94,867,000) as well as utility expenses of approximately HK\$20,715,000 (2023: HK\$18,972,000).

While the Group had an overall expansion in business, there was a slight decrease of 3.0% in general and administrative expenses for the year ended 31 December 2024 as compared with last year mainly due to lower depreciation and amortisation expenses.

## **Research and Development Costs**

For the year ended 31 December 2024, research and development (“R&D”) costs was approximately HK\$265,969,000 (2023: HK\$289,748,000), which comprised salaries expenses for R&D staff of approximately HK\$113,749,000 (2023: HK\$108,080,000), depreciation and amortisation expenses of approximately HK\$33,896,000 (2023: HK\$35,593,000) as well as other costs (such as raw materials and consumables) directly expensed of approximately HK\$118,324,000 (2023: HK\$146,075,000).

R&D costs decreased by 8.2% for the year ended 31 December 2024 as compared with last year mainly due to cost savings in raw materials, consumables and other direct expense in R&D activities.

## **Profit from Operations**

For the year ended 31 December 2024, the Group’s profit from operations amounted to HK\$1,343,500,000, representing a decrease of 18.0% as compared to HK\$1,638,901,000 of last year, and the Group’s operating profit margin (defined as profit from operations divided by total revenue) was lowered to 23.3% as compared to 25.4% of last year mainly driven by a lower gross profit margin as compared to 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, slightly increased by 2.8% to HK\$88,390,000 for the year ended 31 December 2024 (2023: HK\$85,942,000).

## **Income Tax Expense**

The Group believes that Shijiazhuang No. 4 Pharma, Jiangsu Best, Guangxiang Pharmaceutical, Guolong Pharmaceutical 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 2024. For the year ended 31 December 2024, the income tax expense of the Group decreased by 19.0% to HK\$205,995,000 (2023: HK\$254,281,000) mainly due to a lower profit before taxation of the Group.

## **Profit Attributable to Equity Shareholders**

For the year ended 31 December 2024, profit attributable to equity shareholders of the Company decreased by 19.5% to HK\$1,061,150,000 (2023: HK\$1,318,616,000), with net profit margin (defined as profit attributable to equity shareholders of the Company divided by total revenue) decreased from 20.4% last year to 18.4% this year.

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

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

As at 31 December 2024, the Group's cash and cash equivalents decreased to HK\$1,257,702,000 (31 December 2023: HK\$1,615,208,000), mostly were denominated in RMB.

As at 31 December 2024, the Group's bank borrowings increased to HK\$3,635,931,000 (31 December 2023: HK\$3,368,141,000), comprising HK\$2,435,487,000 (31 December 2023: HK\$2,118,141,000) of borrowings denominated in RMB and HK\$1,200,444,000 (31 December 2023: HK\$1,250,000,000) in Hong Kong dollars. The increase in onshore bank borrowing denominated in RMB is considered beneficial to the Group due to a lower cost of fund in China. As at 31 December 2024, all of the Group's bank borrowings were repayable within 5 years, mostly bearing interest at variable rates.

Gearing ratio (defined as net debt, which is bank borrowings and lease liabilities less cash and cash equivalents, divided by total capital less non-controlling interests) was 24.8% as at 31 December 2024 which was higher than 20.2% as at 31 December 2023 due to increase in net debt of the Group. Current ratio (defined as current assets divided by current liabilities) further improved from 2.03 as at 31 December 2023 to 2.78 as at 31 December 2024.

As at 31 December 2024, the Group's total capital commitments outstanding but not provided for was HK\$561,838,000 (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 31 December 2024, the Group had approximately 6,100 employees (31 December 2023: approximately 5,600 employees), most of whom were based in the PRC. The remuneration policy of employees other than executive Directors and senior management is based on industry practice and is periodically reviewed by executive Directors or senior management. Apart from social insurance and in-house training programmes, other kinds of remuneration such as discretionary bonuses, share options under the share option 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.



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 year ended 31 December 2024 was approximately HK\$774,835,000 (2023: HK\$717,031,000), representing an increase of 8.1% as compared with last year mainly due to an increased number of employees.

## **PLEDGE OF ASSETS**

As at 31 December 2024, certain bank deposits of HK\$84,152,000 (31 December 2023: HK\$50,955,000) were pledged for letters of credit facilities and bank acceptance notes issued by the Group, and bank deposits of HK\$19,019,000 (31 December 2023: HK\$Nil) were the restricted cash. As at 31 December 2024, none of the Group's right-of-use assets were pledged as collateral for the Group's bank borrowings. As at 31 December 2023, the Group's right-of-use assets with a carrying amount of 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 dates below, the exchange rates of converting HK\$ into RMB (as calculated in HK\$) were:

1 January 2023	0.89327
31 December 2023	0.90622
31 December 2024	0.92604

## **MATERIAL ACQUISITIONS AND DISPOSALS**

There was no material acquisition or disposal of subsidiary or associate for the year ended 31 December 2024.

## CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any significant contingent liabilities.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Board considers that purchase of its shares by the Company under suitable market condition and funding arrangement will enhance net asset value and/or earnings per share of the Company, and thus will benefit the Company and the shareholders as a whole. Save for the purchase of 11,830,000 shares which details are set out in the next paragraph, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the year ended 31 December 2024.

During the year ended 31 December 2024, the Company acquired an aggregate of 11,830,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK\$44,563,000 which details are set out below. Among all of the above shares, 11,084,000 shares have been cancelled as at 31 December 2024, and the remaining 746,000 shares were cancelled on 5 February 2025.

<b>Date of the purchases</b>	<b>Total number of the ordinary shares purchased</b>	<b>Highest price paid per share (HK\$)</b>	<b>Lowest price paid per share (HK\$)</b>	<b>Aggregate consideration (inclusive of fees and charges) (HK\$)</b>
29 August 2024	3,770,000	3.80	3.70	14,339,000
12 September 2024	2,700,000	3.77	3.65	10,006,000
13 September 2024	320,000	3.80	3.77	1,216,000
16 September 2024	368,000	3.83	3.77	1,407,000
17 September 2024	426,000	3.84	3.80	1,634,000
19 September 2024	1,700,000	3.90	3.78	6,561,000
20 September 2024	1,800,000	3.90	3.78	6,906,000
20 December 2024	746,000	3.35	3.30	2,494,000
	<u>11,830,000</u>			<u>44,563,000</u>

## 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 March 2025, and at all times during the year ended 31 December 2024.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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 by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2024.

The Company has also established written guidelines to the Directors, officers and all relevant employees of the Company and its subsidiaries on securities transactions by those who may possess or have access to inside Information of the Company.

## **CORPORATE GOVERNANCE**

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

The Company has complied with all applicable code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2024, except for the deviation from code provision C.2.1 of the CG code as follows:

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

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

As a pharmaceutical enterprise, the Group understand the importance of environmental sustainability and green manufacturing and is committed to generating a positive impact on the society and the environment. The investors and stakeholders are placing more emphasis on the performance of the environmental, social and governance (“ESG”) aspect. In addition to achieving our business objectives, we recognize our responsibility to operate in a more responsible and sustainable manner by integrating ESG considerations into our day-to-day operations.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2024 in conjunction with the Group's external auditors.

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## DIVIDENDS

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

For the year ended 31 December 2024, an interim dividend of HK\$0.08 per share was declared on 28 August 2024 and paid on 27 September 2024 (2023: HK\$0.07 per share). The Board recommended a final dividend of HK\$0.095 per share (2023: HK\$0.10 per share) which, together with the interim dividend, will result in total dividends of HK\$0.175 per share for the year ended 31 December 2024 (2023: HK\$0.17 per share). The payment of the final dividend is subject to the approval in the forthcoming annual general meeting.

In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Wednesday, 21 May 2025 which is the Record Date for the proposed final dividend. The proposed final dividend is expected to be paid on or about Tuesday, 3 June 2025.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company will be held at 2:00 p.m. on 16 May 2025 at Rooms 4902-03, 49<sup>th</sup> Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. A notice of annual general meeting will be published and despatched in accordance with the requirement of the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 13 May 2025 to Friday, 16 May 2025, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Monday, 12 May 2025.

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

This results announcement is published on the Company's website ([www.ssygroup.com.hk](http://www.ssygroup.com.hk)) and on the website of Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2024 annual report containing all the information required by the Listing Rules will be available on the above websites and will be despatched to the shareholders in due course.

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

On behalf of the Board

**Qu Jiguang**

*Chairman*

Hong Kong, 28 March 2025

*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.*