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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 TRANSACTION MASTER SALE AND PURCHASE AGREEMENT**

The Board announces that on 25 April 2018, the Company entered into the Master Sale and Purchase Agreement with Sichuan Kelun, a substantial shareholder of the Company, for itself and its subsidiaries, pursuant to which (1) the Company agrees to purchase and the Kelun Group agrees to sell the Materials A, and (2) the Company agrees to sell and the Kelun Group agrees to purchase the Materials B. The Master Sale and Purchase Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Sichuan Kelun is a substantial shareholder of the Company, it is considered as a connected person of the Company. The entering into of the Master Sale and Purchase Agreement between the Company and Sichuan Kelun (for itself and its subsidiaries) will therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps under the Master Sale and Purchase Agreement is higher than 0.1% but less than 5% on an annual basis, the Master Sale and Purchase Agreement is subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

### **INTRODUCTION**

The Board announces that on 25 April 2018, the Company entered into the Master Sale and Purchase Agreement with Sichuan Kelun, a substantial shareholder of the Company, for itself and its subsidiaries, pursuant to which (1) the Company agrees to purchase and the Kelun Group agrees to sell the Materials A, and (2) the Company agrees to sell and the Kelun Group agrees to purchase the Materials B. The Master Sale and Purchase Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

# **THE MASTER SALE AND PURCHASE AGREEMENT AND PRICING POLICY**

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

Date : 25 April 2018

Parties : (a) the Company

(b) Sichuan Kelun

Term : From 1 January 2018 to 31 December 2020

Pricing policy :

- (a) The unit prices of the Materials A purchased by the Company are calculated based on the prevailing market prices from time to time as determined by reference to at least two contemporaneous transactions with other unrelated third-party suppliers for similar materials in similar quantities and specifications to ensure that such prices and terms for Materials A to be offered by the Kelun Group are no less favourable to the Company than those offered by other unrelated third-party suppliers;
- (b) The unit prices of the Materials B purchased by the Kelun Group shall be determined by reference to the price lists of the relevant materials adopted by the Company and generally applicable to all customers of the Company at the material time, which will be formulated with reference to the following factors:
  - (i) the prices of the corresponding types of the Materials 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 the Materials B's prices.

Further, the unit prices and other terms of the sales of Materials B to the Kelun Group shall be, from the Company's perspective, no less favourable than those offered to other unrelated third-party purchasers by the Company at the material time.

Payment terms :

- (a) Payments in respect of the Materials A purchased by the Company will be made upon the receipt of the relevant Materials A by the Company;
- (b) Payment in respect of the Materials B purchased by the Kelun Group will be made upon the receipt of the relevant Materials B by the Kelun Group.

## **THE PROPOSED ANNUAL CAPS AND THE BASIS OF DETERMINATION**

The proposed annual caps for the aggregate amount to be paid by the Company under the Master Sale and Purchase Agreement for the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 are set out as follows:

<b>Period</b>	<b>Proposed Annual Cap (RMB)</b>
For the financial year ending 31 December 2018	15,862,800
For the financial year ending 31 December 2019	20,696,600
For the financial year ending 31 December 2020	26,815,100

The proposed annual caps for the aggregate amount to be paid by the Kelun Group under the Master Sale and Purchase Agreement for the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 are set out as follows:

<b>Period</b>	<b>Proposed Annual Cap (RMB)</b>
For the financial year ending 31 December 2018	45,190,000
For the financial year ending 31 December 2019	68,560,000
For the financial year ending 31 December 2020	76,080,000

Each proposed annual cap has been determined with reference to the relevant period of provision under the Master Sale and Purchase Agreement and historical dealings between the parties.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SALE AND PURCHASE AGREEMENT**

The entering into of the Master Sale and Purchase Agreement has the benefit of supply of materials necessary for the manufacturing of other goods of the Company and the benefit of generating income by the sale of materials and products manufactured by the Company. The quotations offered by the Kelun Group to the Company for the supply of the Materials A are, from the Company's perspective, no less favourable than those offered to the Company by other independent third parties for the supply of the same materials. And the quotations offered by the Company to the Kelun Group for the sale of the Materials B are, from the Company's perspective, no less favourable than those offered to other independent third parties for the sale of the same materials.

The Directors (including the independent non-executive Directors) consider that the terms of the Master Sale and Purchase Agreement, arriving after arm's length negotiations between the parties, are fair and reasonable and the transactions contemplated thereunder (and the proposed annual caps) are entered into in the ordinary and usual course of business of the Company on normal commercial terms and in the interests of the Company and its shareholders as a whole.

## **INTERNAL CONTROLS FOR THE COMPANY'S CONTINUING CONNECTED TRANSACTION**

In order to ensure that the pricing policy and the proposed annual caps as contained in the Master Sale and Purchase Agreement are complied with, the Company has adopted the following measures:

- (i) for the purchase of Materials A, the Company would solicit at least two contemporaneous quotations from unrelated third-party suppliers for similar products or substitutes in similar quantities for the purpose of ensuring that the prices and terms for the Materials A to be offered by Kelun Group to the Company will be, from the Company's perspective, no less favourable to the Company than those offered by other unrelated third-party suppliers to the Company for similar products or substitutes of comparable nature and quality; and
- (ii) for the sale of Materials B by the Company, the relevant personnel of the Company will keep track of the transaction record on the sale of Materials B to other unrelated third-party purchasers for the purpose of ensuring that the prices and terms for the Materials B will be comparable to, from the Company's perspective, or no less favourable than the fair market prices and terms for Materials B or similar materials offered to independent third-party purchasers by the Company.

The Company will continue to closely monitor the implementation of the Master Sale and Purchase Agreement and take prompt actions to make necessary disclosures and obtain independent shareholders approval in the event that any adjustment to the annual caps becomes foreseeable.

The Company's external auditors will review the continuing connected transactions under the Master Sale and Purchase Agreement annually to check and confirm (among others) whether the pricing policy have been adhered to and whether the relevant caps have been exceeded.

The independent non-executive Directors will review the continuing connected transactions under the Master Sale and Purchase Agreement annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Company, on normal commercial terms, in accordance with the Master Sale and Purchase Agreement 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 are conducted in accordance with the pricing policy set out in the Master Sale and Purchase Agreement.

## **INFORMATION ABOUT THE PARTIES**

The Company is principally engaged in the research, development, manufacturing and selling of a wide range of pharmaceutical products, which includes finished medicines of mainly intravenous infusion solution to hospitals and distributors, bulk pharmaceuticals and medical materials.

Sichuan Kelun is a substantial shareholder of the Company. The Kelun Group is principally engaged in the research, development, manufacturing and selling of various pharmaceutical products and materials.

## **LISTING RULES IMPLICATIONS**

Sichuan Kelun is a substantial shareholder of the Company, which is therefore considered as a connected person of the Company under Chapter 14A of the Listing Rules. The entering into of the Master Sale and Purchase Agreement between the Company and Sichuan Kelun will therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap under the Master Sale and Purchase Agreement is higher than 0.1% but less than 5% on an annual basis, the Master Sale and Purchase Agreement is subject to reporting, annual review and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As Mr. Feng Hao, a non-executive Director of the Company, is the deputy general manager and the secretary to the board of directors of Sichuan Kelun, Mr. Feng Hao is deemed or may be perceived to have a material interest in the transactions contemplated under the Master Sale and Purchase Agreement. Accordingly, Mr. Feng Hao had abstained from voting on the resolutions in connection with the continuing connected transaction under the Master Sale and Purchase Agreement and the purposed annual caps. Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the other Directors have material interest in the transactions contemplated under the Master Sale and Purchase Agreement.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“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
“Hong Kong”	the Hong Kong Special Administrative Region of PRC

“Kelun Group”	Sichuan Kelun together with its subsidiaries including Sichuan Xin Kai Yuan Pharmaceutical Company Limited*, Heilongjiang Kelun Pharmaceutical Packaging Company Limited*, Sichuan Kelun Pharmaceutical Trading Company Limited*, Guangdong Dongyue Kelun Pharmaceutical Company Limited*, Chongzhou Junjian Plastic Company Limited*, Guangxi Kelun Pharmaceutical Company Limited* and Wunan Kelun Pharmaceutical Company Limited*
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sale and Purchase Agreement”	the Master Sale and Purchase Agreement dated 25 April 2018 entered between the Company and Sichuan Kelun (for itself and its subsidiaries) for the sale and purchase of the Materials A and Materials B
“Material A”	Raw materials used for manufacturing of Intravenous Infusion Solutions products including Dextran 40, infusion glass bottles, plastic tapes for pharmaceutical packaging and aseptic bag
“Material B”	Pharmaceutical raw materials and finished products including co-extrusion films, synthetic polyisoprene liners, rubber stoppers for antibiotics, hydroxyethyl starch, infusions solutions and various types of capsules and tablet patent drugs
“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	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 and 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**

*Company Secretary*

Hong Kong, 25 April 2018

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

\* *for identification purpose only*