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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF LISTED SECURITIES

THE ACQUISITION

On 29 July 2021, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell 27,661,441 Target Shares (representing 6.1015% of the equity interest in the Target Company as at the date of this announcement) at the total consideration of RMB354,066,444.80.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Acquisition exceed 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to the terms and conditions under the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 29 July 2021, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell 27,661,441 Target Shares (representing 6.1015% of the equity interest in the Target Company as at the date of this announcement) at the total consideration of RMB354,066,444.80.

The principal terms of the Acquisition Agreement are set out as follows:

THE ACQUISITION AGREEMENT

Date

29 July 2021 (after trading hours)

Parties

Purchaser: 石家莊四藥有限公司 (Shijiazhuang No. 4 Pharmaceutical Co., Ltd.*)

Vendor: 天津乾鼎企業管理合夥企業（有限合夥） (Tianjin Qianding Corporation Management Partnership Enterprise (Limited Partnership)*)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Consideration

The aggregate consideration for the Acquisition is RMB354,066,444.80 (inclusive of tax) (i.e. RMB12.80 per Target Share) is payable in cash by the Purchaser in the following manner:

- (i) the parties shall open a bank account (the “**Joint Account**”) in the name of the Purchaser under the joint management of the Purchaser and the Vendor at a state-owned large-scale joint-stock commercial bank designated by the Vendor within five (5) working days after the date of the Acquisition Agreement and the date on which an announcement is published by the Target Company on the website of the Shanghai Stock Exchange (www.sse.com.cn). Within five (5) working days after the opening of the Joint Account, the Purchaser shall transfer 177,033,222.40 (representing 50% of the consideration) (the “**First Instalment**”) to the Joint Account. During the period in which the consideration is deposited in the Joint Account, the ownership of the First Instalment shall be vested in the Purchaser, who shall also bear the custodian fees, relevant charges and be entitled to the interests arising from the First Instalment; and
- (ii) the Purchaser shall within two (2) working days after Completion pay the remaining 50% of the consideration (i.e. RMB177,033,222.40) to a bank account designated by the Vendor (the “**Second Instalment**”). At the same time, the parties shall arrange for the release of the First Instalment deposited in the Joint Account from the joint management of the parties (the “**Release**”). Within two (2) working days from the Release, the funds in the Joint Account shall be transferred to a bank account of the Vendor in accordance with the instructions stated in a payment instruction letter given by the Vendor to the Purchaser before the payment.

The consideration for the Acquisition will be funded mainly by the internal resources of the Group.

The consideration for the Acquisition was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to, among others: (i) the value of the assets and business of the Target Company; (ii) the market prices of the shares of the Target Company over a period of time; and (iii) the factors set out in the section headed “Reasons for and Benefits of the Acquisition” in this announcement.

The consideration for the Acquisition of RMB12.80 per Target Share represents:

- (i) a premium of approximately 5.35% from the closing price of RMB12.15 per share of the Target Company as quoted on the Shanghai Stock Exchange on the trading day immediately preceding the date of the Acquisition Agreement;
- (ii) a premium of approximately 3.16% from the average closing price of RMB12.41 per share of the Target Company as quoted on the Shanghai Stock Exchange on the last five (5) consecutive trading days immediately preceding the date of the Acquisition Agreement;
- (iii) a premium of approximately 3.16% from the average closing price of RMB12.41 per share of the Target Company as quoted on the Shanghai Stock Exchange in the last 30 consecutive days immediately preceding the date of the Acquisition Agreement;
- (iv) no premium or discount from the average closing price of RMB12.80 per share of the Target Company as quoted on the Shanghai Stock Exchange in the last 90 consecutive days immediately preceding the date of the Acquisition Agreement;
- (v) a discount of approximately 0.63% from the average closing price of RMB12.88 per share of the Target Company as quoted on the Shanghai Stock Exchange in the last 180 consecutive days immediately preceding the date of the Acquisition Agreement; and
- (vi) a discount of approximately 8.51% from the average closing price of RMB13.99 per share of the Target Company as quoted on the Shanghai Stock Exchange in the last year immediately preceding the date of the Acquisition Agreement.

Completion

The Vendor and Purchaser shall (i) apply to the Shanghai Stock Exchange for confirmation in respect of the Completion of the Acquisition (the “**Confirmation**”); and (ii) apply to the China Securities Depository and Clearing Corporation Limited (Shanghai Branch) (the “**CSDC**”) for registration of the transfer of Target Shares (the “**Registration**”) within three (3) working days from obtaining the Confirmation. Completion shall occur upon the completion of the Registration, as evidenced by the Purchaser having obtained a securities transfer registration confirmation issued by the CSDC.

From the day on which the Target Shares have been transferred to and registered under the name of the Purchaser, the Purchaser shall be entitled to and responsible for the rights and obligations derived from the Target Shares.

Upon Completion, assuming there will be no change to the number of shares of the Target Company before Completion, (i) the Group will hold 27,661,441 shares of the Target Company, representing 6.1015% of the equity interest in the Target Company; and (ii) the shareholding of the Vendor in the Target Company will be reduced from approximately 24.13% to approximately 18.03% of the equity interest in the Target Company.

Adjustment

If the Target Company conducts any capitalisation of capital reserve, placing or bonus issue before Completion, the number of Target Shares and consideration per Target Share for the Acquisition shall be adjusted accordingly in accordance with the relevant rules and regulations of the Shanghai Stock Exchange, such that after such events the Target Shares shall remain to be representing 6.1015% of the enlarged equity interest in the Target Company. For the avoidance of doubt, there shall be no change to the amount of total consideration for the Acquisition.

Termination

If (i) the Shanghai Stock Exchange is unable to issue the Confirmation documents in respect of the Acquisition within 30 days after the submission of the relevant compliance vetting application by the parties to the Acquisition Agreement; or (ii) the Registration procedures are not completed within 30 days from the payment of the First instalment to the Joint Account; the Purchaser may unilaterally terminate the Acquisition Agreement and shall not bear any liabilities. The Vendor shall within five (5) working days from the receipt of a written termination notice unconditionally release its right of management over the Joint Account. Any delay of such release shall constitute a breach of the Acquisition Agreement on the part of the Vendor, in which case the Vendor shall pay a daily penalty of 0.05% of the sums deposited in the Joint Account to the Purchaser.

INFORMATION ON THE TARGET COMPANY AND TARGET GROUP

The Target Company is a company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603367). The ultimate beneficial owner of the Target Company is Mr. Du Zhenxin* (杜振新), who holds approximately 64.28% of the equity interest in 辰欣科技集團有限公司 (Cisen Technology Group Co., Ltd.*) (the “**Cisen Technology Group**”), which in turn holds approximately 36.54% of the equity interest in the Target Company as at the date of this announcement according to published information. As at the date of this announcement, the Vendor holds approximately 109,413,441 shares of the Target Company, representing approximately 24.13% of the equity interest in the Target Company.

Cisen Technology Group has provided a letter of undertaking, pursuant to which it has undertaken to and covenanted with the Purchaser that it is agreed that the Purchaser may nominate a director who is not an independent director so as to understand and participate in the production and operation decisions of the Target Company, and during the period in which the Purchaser is a shareholder holding no less than 5% shareholding, Cisen Technology Group shall, by means of including but not limited to voting in favour of resolution(s) at general meetings, procure the candidate(s) nominated by the Purchaser to be elected as a director of the Target Company.

Based on the published information of the Target Company, the Target Group is principally engaged in the business of research and development, production and sales of pharmaceuticals of mainly chemical preparations, with five major dosage forms among its products: large-volume injections (including non-PVC soft bags, plastic bottles, upright soft bags, glass bottles), freeze-dried powder injections, small-volume injections, tablets form and capsules form.

Based on the audited consolidated financial statements of the Target Company prepared in accordance with the PRC Accounting Standards for Enterprises, the financial information of the Target Group for the two financial years ended 31 December 2020 is as follows:

| | For the year ended | |
|------------------------|---------------------------|---------------|
| | 31 December | |
| | 2020 | 2019 |
| | (RMB) | (RMB) |
| Revenue | 3,674,158,475 | 4,112,785,511 |
| Profit before taxation | 484,516,238 | 582,110,569 |
| Profit after taxation | 437,360,194 | 514,793,456 |

Based on the audited consolidated financial statements of the Target Company for the year ended 31 December 2020 and the unaudited consolidated financial statements of the Target Company for the three months ended 31 March 2021, the net asset value of the Target Group as at 31 December 2020 and 31 March 2021 was approximately RMB4,800,949,980 and RMB4,909,440,248, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the research, development, manufacturing and selling of a wide range of finished medicines, bulk pharmaceuticals products and medical materials.

The Acquisition is an investment of the Group. With its insight in the pharmaceutical industry landscape in the PRC, and having considered the business model, financial performance and competitive advantages of the Target Company, the Group is optimistic towards the prospects and development of the Target Group and is positive about the long term returns from the investment in the Target Group. In particular, taking into account the current market price of the shares of the Target Company and the recovery of the pharmaceutical segment in the PRC after the COVID-19 pandemic has generally become under control, the Company considers that it is a good time to utilize its available capital for investment so as to generate returns in fulfilling its investment objective through the Acquisition.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

Information on the Company and the Group

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

Information on the Purchaser

The Purchaser is a company established in the PRC with limited liability, and is a wholly-owned subsidiary of the Company. It is principally engaged in manufacturing and sale of pharmaceutical products.

Information on the Vendor

The Vendor is a limited liability partnership established under the laws of the PRC, which is principally engaged in investment holding. The ultimate beneficial owner and general partner of the Vendor is Mr. Wu Hengke* (吳恒科).

LISTING RULES IMPLICATIONS

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As Completion is subject to the terms and conditions under the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

| | |
|-------------------------|---|
| “Acquisition” | the acquisition of the Target Shares by the Purchaser from the Vendor pursuant to the Acquisition Agreement |
| “Acquisition Agreement” | the acquisition agreement in respect of the Acquisition entered into between the Vendor and the Purchaser on 29 July 2021 |
| “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 |
| “Completion” | completion in accordance with the terms and conditions of the Acquisition Agreement |

| | |
|---------------------------|--|
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | the People’s Republic of China (excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan) |
| “Purchaser” | 石家莊四藥有限公司 (Shijiazhuang No. 4 Pharmaceutical Co., Ltd.*) a company established in the PRC with limited liability, and a wholly-owned subsidiary of the Company |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shanghai Stock Exchange” | the Shanghai Stock Exchange (上海證券交易所) |
| “Shares” | the ordinary share(s) of HK\$0.02 each of the Company |
| “Shareholders” | holders of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | 辰欣藥業股份有限公司 (Cisen Pharmaceutical Co., Ltd.*), a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange (stock code: 603367) |
| “Target Group” | the Target Company and its subsidiaries |
| “Target Share(s)” | 27,661,441 shares of the Target Company (together with all relevant shareholders’ rights and interests under applicable laws and regulations, including ownership rights, distribution rights and voting rights etc.), representing 6.1015% of the equity interest in the Target Company as at the date of this announcement |
| “Vendor” | 天津乾鼎企業管理合夥企業（有限合夥）(Tianjin Qianding Corporation Management Partnership Enterprise (Limited Partnership)*), a limited liability partnership established in the PRC |

“0%”

per cent

By Order of the Board
Chow Hing Yeung
Company Secretary

Hong Kong, 29 July 2021

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*