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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 TARGET COMPANY

Reference is made to the announcement of the Company dated 7 March 2022 in relation to a letter of intent entered into between the Vendors, the Purchaser and the Target Company in respect of the Acquisition.

THE ACQUISITION

On 9 March 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with the Vendors and the Target Company, pursuant to which, amongst others, the Purchaser has agreed to purchase and the Vendors have agreed to sell the entirety of the equity interest in the Target Company at the total Consideration of RMB55.0 million.

LISTING RULES IMPLICATIONS

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

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THE ACQUISITION

The Board is pleased to announce that on 9 March 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with the Vendors and the Target Company, pursuant to which, amongst others, the Purchaser has agreed to purchase and the Vendors have agreed to sell the entirety of the equity interest in the Target Company at the total Consideration of RMB55.0 million.

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

Date

9 March 2022 (after trading hours)

Parties

Vendors:

1. Li Yun (李允)
2. Yan Li(晏利)
3. Li Yaozhi(李姚芝)

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

Target Company: Cangzhou Lingang Youyi Chemical Co., Ltd.* (滄州臨港友誼化工有限公司)

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Vendors, the Target Company and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the Acquisition Agreement, the Purchaser agreed to purchase, and the Vendors agreed to sell, the entirety of the equity interest in the Target Company at a total Consideration of RMB55.0 million.

The details of the percentage of equity interest in the Target Company to be transferred and considerations payable to each of the Vendors are set out as follows:

	Percentage of equity interest in the Target Company to be transferred	Corresponding registered capital amount (RMB)	Consideration (RMB)
Li Yun (李允)	36%	1.8 million	19.8 million
Yan Li(晏利)	32%	1.6 million	17.6 million
Li Yaozhi(李姚芝)	32%	1.6 million	17.6 million
Total	100%	5.0 million	55.0 million

All the above-mentioned registered capital amount of the Target Company has been paid up in full by the Vendors as at the date of this announcement.

Consideration

The Consideration shall be payable by way of bank transfer by the Purchaser to the Vendors within three (3) business days from the date of the Acquisition Agreement in the following manner:

	Consideration payable (RMB)
Li Yun (李允)	19.8 million
Yan Li(晏利)	17.6 million
Li Yaozhi(李姚芝)	17.6 million
Total	55.0 million

The Consideration was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the unaudited net asset value of the Target Company as at 8 March 2022 (the date immediately before the entering of the Acquisition Agreement), the business nature of the Target Company, the future business prospects of the Target Company and the reasons and benefits as set out in the section headed "Reasons for and benefits of the Acquisition" of this announcement. It is expected that the Consideration will be funded by the internal resources of the Group.

Completion

Within three (3) days after obtaining tax certificate, the Vendors shall cooperate with the Purchaser in respect of the submission of materials for industrial and commercial registration to the supervising authority at the place of incorporation of the Target Company.

The Vendors and the Target Company shall be responsible for the share transfer procedures and all costs arising from the industrial and commercial registration and relevant procedures shall be paid by the Target Company.

Entitlement of profit and loss

It was agreed by the Vendors and the Purchaser that the Purchaser shall (i) enjoy the operating profits of the Target Company arising after 1 March 2022; and (ii) bear the operating risks and losses, limited by the paid-up capital amount, arising after 1 March 2022.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability, and the equity interest in which is owned as to 36%, 32% and 32% by Li Yun(李允), Yan Li(晏利) and Li Yaozhi(李姚芝), respectively. The Target Company is principally engaged in the production and sales of methyamine, which is one of the key raw materials for production of caffeine.

Financial information of the Target Company

Set out below is a summary of the unaudited financial information of the Target Company for the two months ended 28 February 2022 and the three financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 respectively based on the management accounts of the Target Company:

	For the 2 months ended 28 February 2022 (RMB) (unaudited)	For the year ended 31 December		
		2021 (RMB) (unaudited)	2020 (RMB) (unaudited)	2019 (RMB) (unaudited)
Revenue	66.25 million	303.14 million	203.93 million	193.94 million
Net profit before taxation	38.33 million	106.44 million	57.24 million	29.83 million
Net profit after taxation	28.75 million	79.83 million	42.93 million	22.37 million

Based on the management accounts of the Target Company, the unaudited net asset value of the Target Company as at 31 December 2019, 2020 and 2021 was approximately RMB77.13 million, RMB97.27 million and RMB155.01 million, respectively. Due to profits distribution by the Target Company prior to the entering of the Acquisition Agreement, the unaudited net asset value of the Target Company as at 8 March 2022 (the date immediately before the entering of the Acquisition Agreement) decreased to approximately RMB39 million. A valuation on the fair value of the assets and liabilities of the Target Company will be conducted for the purpose of goodwill which may arise from the Acquisition.

Upon Completion, the Target Company will become a subsidiary of the Company and its financial statements will be consolidated into the financial statements of the Group.

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 Target Company is principally engaged in the production and sales of methylamine, which is one of the key raw materials for production of caffeine.

Currently, part of raw materials for the Group's production of caffeine are purchased from the Target Company. The Company considers that the Acquisition would guarantee the stability in supply and quality of such raw materials, and may further lower the material cost of the Group. The Board expects that the Acquisition, as a vertical integration, will create synergy between the Group and the Target Company.

Furthermore, the Target Company sells methylamine to various pharmaceutical and chemical companies in China independent of the Company. Having considered the past performance and future prospect of the methylamine market in China, the Group is optimistic towards the future development and the long term returns from the Acquisition of the Target Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement are negotiated on an arm's length basis, on normal commercial terms, and the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

Information on the Vendors

Li Yun(李允) is a PRC resident and is the father of Li Yaozhi(李姚芝).

Yan Li(晏利) is a PRC resident and is the wife of Li Yaozhi(李姚芝).

Li Yaozhi(李姚芝) is a PRC resident, is the son of Li Yun(李允) and the husband of Yan Li(晏利). He is currently a director and a senior management member of the Target Company.

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 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.

LISTING RULES IMPLICATIONS

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

DEFINITIONS

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

“Acquisition”	the acquisition of the entirety of the equity interest in the Target Company by the Purchaser from the Vendors in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 9 March 2022 entered into between the Purchaser, the Vendors and the Target Company, pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to purchase the entirety of the equity interest in the Target Company at the total Consideration of RMB55.0 million
“Board”	the board of Directors of the Company
“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
“Consideration”	the total consideration for the Acquisition in the amount of RMB55.0 million

“Director(s)”	the director(s) 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
“PRC”	the People’s Republic of China
“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 an indirect wholly-owned subsidiary of the Company
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Cangzhou Lingang Youyi Chemical Co., Ltd.* (滄州臨港友誼化工有限公司), a company established in the PRC with limited liability, and the equity interest in which is owned as to 36%, 32% and 32% by Li Yun(李允), Yan Li(晏利) and Li Yaozhi(李姚芝), respectively, as at the date of this announcement
“Vendors”	Li Yun(李允), Yan Li(晏利) and Li Yaozhi(李姚芝)
“%”	per cent

By order of the Board

Chow Hing Yeung

Executive Director and Company Secretary

Hong Kong, 9 March 2022

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