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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)

UPDATE ON DISCLOSEABLE TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN JIANGSU BOSHENG YI YONG XIN CAI LIAO CO., LTD.

FURTHER SUPPLEMENTAL AGREEMENT FOR ISSUE OF CONSIDERATION SHARES

On 31 March 2016, the Purchasers and the Vendors entered into the Further Supplemental Agreement, pursuant to which the parties agreed to amend certain terms under the Initial Consideration.

The Consideration Shares will be issued under the General Mandate. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The revised terms under the Further Supplemental Agreement relating to the Acquisition remains a disclosable transaction (but now also a share transaction) under Rule 14.07(1) as all relevant percentage ratios are more than 5% but less than 25%.

Reference is made to the announcements of the Company dated 1 September 2015 and 29 December 2015 (the “**Announcements**”) in relation to the Acquisition. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Announcements unless the context otherwise requires.

On 31 March 2016, the Purchasers and the Vendors entered into a further supplemental agreement to the Agreement (“**Further Supplemental Agreement**”).

THE FURTHER SUPPLEMENTAL AGREEMENT

DATE

31 March 2016 (after trading hours of the Stock Exchange)

PARTIES

1. Vendors
2. Purchasers

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Vendors is a third party individual independent of the Company and the connected persons (as defined under the Listing Rules) of the Company.

Amendment of payment terms and payment methods

Subject to and in accordance with the terms of the Further Supplemental Agreement, the parties have conditionally agreed to amend the payment terms and payment methods from cash payments to a combination of cash and consideration shares as follows:

The Initial Consideration shall be satisfied in full by the Purchasers to the Vendors in the following manner:

- i. the Purchasers have paid the consideration of RMB107,755,000 (the “**First Payment**”);
- ii. the second part of the consideration shall be payable to the Vendors within two business days after the date of the fulfillment of the Condition Precedent (the “**Second Payment**”) and shall be calculated according to the following formula, and in any event shall not exceed RMB73,745,000:

$$\text{Second Payment} = (\text{ANP}^* \text{ of 2015} \times 9.5) - \text{RMB107,755,000}$$

*ANP = the actual audited profit after tax before extraordinary items of the Target Company

The Second Payment shall be satisfied in the following manner:

- (A) RMB16,000,000 shall be payable in cash; and

- (B) the remaining balance shall be payable by the Company by issuing new Shares (“**Consideration Shares**”). The Consideration Shares will be issued to the Vendors at the price of the average closing price of the Shares as quoted on the Stock Exchange for the last twenty consecutive trading days before the date of the Further Supplemental Agreement (“**20 Days Average Price**”).
- iii. The Vendors warrants that the ANP for the year ending 31 December 2016 will be not less than RMB25,000,000. For this reason, the Vendor agrees to pledge 10,000,000 Consideration Shares (“**Pledged Shares**”) in proportion to their original shareholding in the Target Company to the Company in favour of Company upon the allotment and issue of the Consideration Shares (“**Issue Date**”) from Issue Date until one month after the date of the issue of the 2016 audited account of the Target Company (“**Pledge Period**”). If the ANP for the year ending 31 December 2016 falls below RMB25,000,000, the shortfall amount shall be (i) made up by the Vendors directly to the Company in proportion to their original shareholding during the Pledge Period, or (ii) made up by the proceeds from disposal of part of the Pledged Shares in proportion to their original shareholding in the Target Company during the Pledge Period. Any remaining Pledged Shares shall be returned to the Vendors upon the release. The maximum amount to be made up by the Vendors to the Company pursuant to above will be the then market price of the Pledged Shares.

Save and except for the aforesaid amendments and revisions, all other terms and conditions of the Agreement (as supplemented by the Supplemental Agreement dated 29 December 2015) shall remain unchanged and continue to be in full force and effect.

Consideration Shares

The 20 Days Average Price is HK\$ 2.429. Based on the above and the exchange rate of HK\$1 to RMB0.83602, the Consideration Shares shall be 28,436,000 Shares.

The Consideration Shares represent (i) approximately 1.01% of the existing issued share capital of the Company and (ii) approximately 1.00% of the Company’s issued share capital as enlarged by the issue of the Consideration Shares. The Consideration Shares will be allotted and issued under the General Mandate as mentioned below. The Consideration Shares when allotted and issued shall be credited as fully paid and rank pari passu with all other Shares in issue in the share capital of the Company.

Application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

The amount and issue price of the Consideration Shares were determined on an arm’s length commercial basis between the Purchasers and the Vendors by reference to the market price of the Consideration Shares under the prevailing market conditions.

The issue price of HK\$2.429 per Consideration Share represents:

- (a) a discount of approximately 1.26% to the closing price of HK\$2.46 per Share as quoted on the Stock Exchange on 31 March 2016, being the date of the Agreement;
- (b) a discount of approximately 1.66% to the average closing price per Share as quoted on the Stock Exchange for the last 5 consecutive full trading days prior to the date of the Agreement on 31 March 2016, being HK\$2.470 per Share; and
- (c) a discount of approximately 0.25% over the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive full trading days prior to the date of the Agreement on 31 March 2016, being approximately HK\$2.435 per Share.

Condition Precedent

Completion of the Further Supplemental Agreement is conditional upon the Stock Exchange granting the approval for the listing of, and permission to deal in, the Consideration Shares (the “**Condition Precedent**”).

The Condition Precedent is not waivable. If the Condition Precedent has not been fulfilled before 30 June 2016 or such later date as the parties may otherwise agree, neither the Vendor nor the Company shall be obliged to proceed with the completion of the Further Supplemental Agreement.

Completion

Completion shall take place within two business days after the date of the fulfillment of the Condition Precedent or such later date as the parties may otherwise agree in writing.

GENERAL MANDATE TO ISSUE THE CONSIDERATION SHARES

The maximum number of Shares which may be allotted and issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 15 May 2015 is 593,705,477 Shares (“**General Mandate**”). Up to the date of this announcement, the General Mandate has not been utilized since its grant date. The issue of the Consideration Shares shall be under the General Mandate and is not subject to further Shareholders’ approval.

INFORMATION ON THE TARGET COMPANY

The Target Company is principally engaged in the manufacturing and sales of medicinal butyl rubber stoppers, synthetic polyisoprene liners and non-PVC multi-layer co-extrusion film for infusion solution with a registered capital of RMB49,980,000.

The following information is extracted from the audited results of the Target Company for the two financial years ended 31 December 2015:

	For the year ended 31 December	
	2015	2014
	RMB million	RMB million
	(audited)	(audited)
Turnover	177.90	171.27
Profit before tax	22.87	23.64
Profit after tax	19.32	20.30

The audited total asset value and net asset value of the Target Company was approximately RMB260.78 million and RMB121.28 million, respectively as at 31 December 2015.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The changes in the shareholding structure of the Company as at the date of this announcement and immediately after the Completion are set out as below:

Name of Shareholders	As at the date of this announcement		Immediately after Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr. Qu Jiguang (<i>Note 1</i>)	880,101,000	31.42	880,101,000	31.10
Sichuan Kelun Pharmaceutical Co., Ltd (四川科倫藥業股份有限公司) (<i>Note 2</i>)	280,586,000	10.02	280,586,000	9.92
The Vendors	—	—	28,436,000	1.00
Public Shareholders	<u>1,640,486,385</u>	<u>58.56</u>	<u>1,640,486,385</u>	<u>57.98</u>
Total	<u><u>2,801,173,385</u></u>	<u><u>100.00</u></u>	<u><u>2,829,609,385</u></u>	<u><u>100.00</u></u>

* *Certain percentage figures included above table has been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.*

Notes:

- (1) 733,856,000 shares were registered in the name of and beneficially owned by China Pharmaceutical Company Limited (“CPCL”). CPCL is held as to 72.93% by Mr. Qu Jiguang and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.
- (2) These shares were registered in the name of and beneficially owned by Kelun International Development Co., Ltd (科倫國際發展有限公司). Kelun International Development Co., Ltd (科倫國際發展有限公司) is held as to 100% by Sichuan Kelun Pharmaceutical Co., Ltd (四川科倫藥業股份有限公司).

REASONS FOR ENTERING INTO THE FURTHER SUPPLEMENTAL AGREEMENT

The principal business activity of the Group is research, development, manufacture and sale of a wide range of pharmaceutical products mainly intravenous infusion solution.

The issue price of the Consideration Shares was arrived at after arm’s length negotiation between the Parties. The Board considers that the issue price of the Consideration Shares is fair and reasonable and the issuance of the Consideration Shares at such price is in the interests of the Company and the Shareholders as a whole. The Board also considers that the issue of the Consideration Shares would enhance the cash position of the Group.

LISTING RULES IMPLICATIONS

The revised terms under the Further Supplemental Agreement relating to the Acquisition remains a disclosable transaction (but now also a share transaction) under Rule 14.07(1) as the relevant percentage ratios are more than 5% but less than 25%.

By Order of the Board
Chow Hing Yeung
Company Secretary

Hong Kong, 31 March 2016

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