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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

### **CHAIRMAN'S STATEMENT**

On behalf of the board of directors (the "Board") of SSY Group Limited (the "Company"), I hereby present the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2023.

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

In the first half of 2023, confronted with the tough challenges in the domestic and international pharmaceutical markets, the Group was determined to be ambitious, seize the opportunities and overcome the difficulties. Through a series of operational measures such as accelerating research and development and innovation, integrating market resources and actively exploring potentials, the Group continued to maintain a favourable trend of stable and healthy development.

During the first half of the year, the Group achieved a revenue of approximately Renminbi ("RMB") 2,962 million, representing an increase of approximately 4.7% as compared to the corresponding period of last year. However, due to depreciation of Renminbi against Hong Kong dollars ("HK\$") by approximately 6.5% as compared to the same period last year, in terms of Hong Kong dollars, the Group's revenue was approximately HK\$3,333 million in the first half of this year, representing a decrease of 2.1% as compared to corresponding period of last year. The Group achieved a net profit of approximately HK\$639 million, representing an increase of approximately 12% as compared to the corresponding period of last year. The Board resolved to pay an interim dividend of HK\$0.07 per share on 27 September 2023 to the shareholders named in the register of members of the Company on 15 September 2023, which represented an increase of 16.7% compared to the corresponding period of last year.

## II. BUSINESS REVIEW

### (1) Sales of Products

	For the six months ended 30 June				
	2023		2022		Increase/ (Decrease) %
	Revenue <i>HK\$'000</i>	Percentage of revenue %	Revenue <i>HK\$'000</i>	Percentage of revenue %	
Intravenous infusion solution and others	3,243,090	97.3	3,313,963	97.3	(2.1)
(Including: Non-PVC soft bag & upright soft bag infusion solution	1,526,497	45.8	1,313,033	38.6	16.3
PP plastic bottle infusion solution	424,088	12.7	403,510	11.8	5.1
Glass bottle infusion solution	118,530	3.6	117,086	3.4	1.2
Ampoule injection	453,398	13.6	510,665	15.0	(11.2)
Bulk pharmaceuticals	453,626	13.6	776,609	22.8	(41.6)
Oral preparations	244,391	7.3	145,088	4.3	68.4
Others)	22,560	0.7	47,972	1.4	(53.0)
Medical materials	90,067	2.7	90,550	2.7	(0.5)
Total	<u>3,333,157</u>	<u>100.0</u>	<u>3,404,513</u>	<u>100.0</u>	<u>(2.1)</u>

In the first half of 2023, the Group made strenuous efforts in operational measures to promote scientific research, innovation and structural optimisation, with a view to promoting the development of the pharmaceutical market and accelerating the utilisation of advantages in key preparation products and production capacity through the implementation of a marketing strategy of “multi-channels, multi-fields and multi-product lines”. The diversified, integrated and coordinated development of preparations, bulk pharmaceuticals, medical materials and other segments drove the Group’s overall operation to a better growth trend, providing sufficient momentum for the future development.

New products and products passing consistency evaluations have been approved successively, and the Group demonstrated strong advantage in winning tenders of national and local centralised procurement of preparation products. The market accessibility of the Group's products has been further expanded. In the first half of the year, the Group actively participated in National Centralised Medicines Procurement, Group Purchasing Organisation Programme and various provincial and municipal medicines tender activities. In the eighth round of National Centralised Medicines Procurement, the Group participated in the tenders and have 5 product types with 7 specifications, namely Ornidazole Injection (3ml:0.5g; 6ml:1g), Felodipine/Felodipine II Sustained-release Controlled-release Tablets (5mg), Mecobalamin Injection (1ml:0.5mg), Metronidazole Injection (100ml:0.5g; 250ml:1.25g) and Argatroban Injection (2ml:10mg) been awarded the tenders. At present, 13 product types with 18 specifications of the Group have been selected in the National Centralised Medicines Procurement. For new product types passing consistency evaluations, Lacosamide Injection has completed market access for 30 provinces, Peritoneal Dialysis Solution (Lactate-G2.5%) has completed market access for 27 provinces, Terbutaline Sulfate Nebuliser Injection has completed market access for 23 provinces, Ciprofloxacin Lactate and Sodium Chloride Injection (200ml) has completed market access for 22 provinces, and Thioctic Acid Injection and Pentoxifylline Sustained-release Tablets both have completed market access for 20 provinces. Market joint development throughout the nation has achieved initial progress.

The cumulative sales volume of intravenous infusion solutions reached approximately 936 million bottles (bags), with a revenue of HK\$2,069 million, representing an increase of approximately 24.1% and 12.8% respectively as compared to corresponding period of last year, while the production and sales of therapeutic infusion solutions progressed steadily. During the period, revenue of therapeutic infusion solutions amounted to HK\$566 million, representing an increase of 24.7% as compared to corresponding period of last year, among which, key products include: Ambroxol Hydrochloride and Sodium Chloride Injection reached approximately 7.38 million bottles (bags), representing a growth of approximately 294% as compared to corresponding period of last year; Moxifloxacin Hydrochloride & Sodium Chloride Injection reached approximately 6.97 million bottles (bags), representing a growth of approximately 255% as compared to corresponding period of last year; Fluconazole and Sodium Chloride Injection reached approximately 1.63 million bottles (bags), representing a growth of approximately 96% as compared to corresponding period of last year; Peritoneal dialysis solution products were popular in the market, with a sales volume of approximately 2.12 million bags, representing a growth of approximately 36% as compared to corresponding period of last year; The sales volume of Metronidazole Sodium Chloride Injection reached approximately 25.51 million bottles (bags), representing a growth of approximately 24% as compared to corresponding period of last year.

Ampoule products recorded continuous growth in sales volume. In the first half of the year, three ampoule new products, namely, Ornidazole Injection, Mecobalamin Injection and Argatroban Injection were selected in the eighth round of National Centralised Medicines Procurement, forming important support for the Group's ampoule products to achieve a rapid breakthrough in scale. The market share of various ampoule products such as Dexmedetomidine Hydrochloride Injection, Bromhexine Hydrochloride Injection and Ambroxol Hydrochloride Injection had further expanded. In the first half of the year, sales volume of ampoule products reached approximately 131 million, representing a growth of approximately 92% as compared to corresponding period of last year, among which, Bromhexine Hydrochloride Injection recorded sales volume of approximately HK\$180 million, representing an increase of approximately 4.6 times as compared to corresponding period of last year; Ambroxol Hydrochloride recorded sales volume of approximately HK\$14.67 million, representing an increase of approximately 98% as compared to corresponding period of last year. Promising market prospects have been expected.

Oral preparations business segment accelerated its expansion and development. In line with the national and local centralised procurement policies, the Group systematically enhanced the supply of products which won the tenders in national centralised procurement including Felodipine/Felodipine II Sustained-release Controlled-release Tablets, Cefaclor for Suspension, Cefdinir capsule and Prucalopride Succinate tablet. Sales of Felodipine/Felodipine II Sustained-release Controlled-release Tablets scaled up in a relatively short period of time with 35.17 million tablets. In addition, through the measures of proactively adjusting market layout and stepping up promotion among professions, the Group strengthened the business cooperation with the top 100 chain pharmacies, closely linked the commercial chain with the end-market, accelerated the market layout and promotion among professions of a number of featured oral preparations with high market potential and technological content, such as Blonanserin Tablets, Abidol Hydrochloride capsule, Pentoxifylline Sustained-release Tablets, Felodipine Sustained-release Tablets, and Valsartan and Amlodipine Tablets, to enhance product accessibility so as to continue to strengthen and optimize oral preparations products. Sales of Abidol Hydrochloride capsule achieved 22.56 million tablets, representing an increase of approximately 302% as compared to corresponding period of last year; Sales of Rosuvastatin Calcium tablet achieved 29.3 million tablets, representing an increase of approximately 60% as compared to corresponding period of last year; Sales of Azithromycin dispersible tablets achieved 34.79 million tablets, representing an increase of approximately 43% as compared to corresponding period of last year; and sales of Blonanserin tablets, a newly introduced product in this year, achieved approximately 15 million tablets. In the first half of the year, the proportion of sales of oral preparations has been climbing year by year, with revenue reaching HK\$244 million, representing a growth of approximately 68% as compared to corresponding period of last year.

Due to the impacts of softer market demands and dropped product prices in the first half of the year, revenue from bulk pharmaceuticals was approximately HK\$454 million, representing a decrease of approximately 42% as compared to corresponding period last year. In the first half of the year, our key products include Metronidazole (sales volume of approximately 165 tonnes, representing a growth of approximately 35% as compared to corresponding period of last year), Caffeine (sales volume of approximately 1,972 tonnes, representing a drop of approximately 39% as compared to corresponding period of last year); Methylamine series products (sales volume of approximately 11,262 tonnes, representing a drop of approximately 15% as compared to corresponding period of last year); and Azithromycin (sales volume of approximately 116 tonnes, representing a growth of approximately 22% as compared to corresponding period of last year). We are expecting a rebound in the bulk pharmaceutical business segment in the second half of the year.

As various types of bulk pharmaceuticals have been approved, our product mix has been further diversified. As of 30 June 2023, the Group has successively obtained the approvals for and put into commercial production for 35 featured bulk pharmaceuticals products with high-value added including Tinidazole, Ornidazole, Doxofylline, Theobromine, Pentoxifylline, Tedizolid phosphate, L-malic acid, Urapidil Hydrochloride and Tofacitinib Citrate, which became a new growth point in the bulk pharmaceuticals segment.

The Group's production and sales of medical materials has been stable. Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best New Medical Material") continued to step up efforts in its innovation capability in the research and development of and marketing promotion for medical materials with high-end quality, special application and industry foresight. Newly developed products, such as bioprocessing films, specialised films for peritoneal dialysis solution, pistons for pen injectors, rubber plugs with coating and bicolour rubber plugs for blood collection tubes have successively achieved breakthroughs and scaled up in sales. Jiangsu Best New Medical Material proactively enhanced the partnerships with a number of large pharmaceutical groups, strengthened the complementarity between its key products and the industrial chain, laying a solid market foundation for quality enhancement and efficiency improvement. In the first half of the year, Jiangsu Best New Medical Material completed sales external to the Group of approximately RMB80.04 million (equivalent to approximately HK\$90.07 million), representing a year-on-year increase of approximately 6.4% (in terms of HK\$, roughly at same level as corresponding period of last year).

Exports of preparations to foreign countries rose against the trend. Restricted by multiple factors of sluggish global economy and slowdown in international market demand, the Group has taken various measures to facilitate the dual circulation of domestic and international markets, proactively removed obstacles in the way, and improved accessibility of our products, which further consolidated and expanded our export business of preparations. In the first half of this year, the Group achieved an export volume of infusion solution of approximately 51.08 million bottles (bags), representing a growth of approximately 17% as compared to corresponding period of last year, with infusion solutions export revenue of preparations amounted to approximately HK\$80.08 million, representing a growth of approximately 25% as compared to corresponding period of last year. In the first half of the year, the Group successfully completed registration for 24 specifications outside the PRC and had 11 new customers developed. The Group has currently exported 28 products and 65 specifications to over 90 countries and regions worldwide.

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

The Group has taken the innovation drive as the lead to integrate the Group's own advantages in raw materials, talents and technologies, and coordinated the progress to impel the research and development of featured generic drugs, bulk pharmaceuticals, innovative drugs, medical materials as well as product types under consistency evaluation. The Group's core development strengths have been further consolidated and enhanced with significantly more innovation results and a growing and enriched portfolio of product lines, providing a strong driver for the Group's sustainable development.

Targeting at the most demanded and critical products in the market, the Group has been concentrating its efforts on anti-viral, anti-bacterial, anti-tumor, neurological, cardiovascular, gastrointestinal, anesthesia and other fields, and promoting the progress of the research and development of innovative drugs and generic drugs, and the consistency evaluation of generic drugs, in an effort to establish a new course and a new advantage in the development of featured generic drugs and high-end complex preparation. In the first half of the year, the Group was at the forefront of all pharmaceutical enterprises in China in terms of the number of preparations being submitted for approvals and passed the consistency evaluations, and obtained a total of 34 production approvals for different types, including 8 for bulk pharmaceuticals and 26 for preparations. Among them, the approval obtained for Pentoxifylline Sustained-release Tablets (0.4g) for cerebral and peripheral blood circulation disorder, Stiripentol for Suspension (500mg and 250mg), Supplement Electrolyte Drugs Compound Electrolyte Injection II (1000ml) for the treatment of children's rare diseases Dravet syndrome (for the treatment of severe myocardial fibrosis epilepsy of infants), were the first and exclusive one in China, and approvals obtained for Sorbitol and Mannitol Irrigation Solution (3000ml), Sodium Lactated Ringer Injection (500ml) and Thiocetic Acid Injection (24ml: 600mg) were the second one in China, which have shown the enriched results of research and development of our product lines.

In the first half of the year, the Group submitted applications for approvals of 53 projects for various products, including 34 for new types of liquid and solid preparations (with 14 supplemental applications) and 5 for bulk pharmaceuticals. Among them, the proportion of high-end complex preparations has increased significantly, with product line and technology level being upgraded at an accelerated pace. In terms of submission for approved, we were the first in China for Levodopa-Carbidopa Sustained-release Tablets for Idiopathic Parkinsonism, and the second in China for Sodium Potassium Magnesium Calcium Injection Concentrate, Esmolol Hydrochloride and Sodium Chloride Injection, and Bisoprolol Fumarate and Amlodipine Besylate Tablets. The continuous enrichment of product lines of injections, solid preparations and bulk pharmaceuticals will enable the Group to develop a diversified product mix.

Positive progress has been made in the research of innovative drugs. Phase I clinical trial of type I chemical innovative anti-tumor drug NP-01 project achieved positive progress, which demonstrated favourable observations in terms of tolerability and safety in human body, and preliminary efficacy had been observed in treating gallbladder cancer and gastrointestinal cancer. Phase I tolerability clinical trial is expected to be completed in November 2023. Communication with CDE prior to application of the Phase I clinical trial regarding anti-liver fibrosis type I chemical innovative drug ADN-9 has been established, with an aim to commence Phase I clinical trial in the second half of 2023. Pre-clinical research of anti-pulmonary hypertension drug SYN-045 has been fully commenced, with the PreIND application expected to be submitted in October this year.

Research results of products for passing consistency evaluations were prominent. We were the first in China to pass such evaluation for Multiple Electrolytes Injection (1000ml), and the second for Sodium Lactated Ringer's Injection (500ml) and Multiple Electrolytes Injection (500ml). As of the first half of the year, the number of the Group's products that have passed the consistency evaluation or been regarded as passing the consistency evaluation reached 51 product types with 67 specifications, which has seized opportunities and created room for optimizing product mix, accessing the national centralised procurement and enhancing market competitiveness for the products.

Measures of intellectual property protection were carried out simultaneously. In the first half of the year, the Group applied for 49 patents in total and obtained 26 authorisations, of which 24 were authorisations for invention patents. As of 30 June this year, the Group owned 254 valid patents, including 128 invention patents.

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

The Group has followed the rapid implementation of the industry development and industrialisation of innovations. In order to enhance industrialisation efficiency and level of intelligent manufacturing, the Group has accelerated the construction of infrastructure projects, actively facilitated the efficient integration of new products industrialisation implementation, intelligent manufacturing, quality assurance, cost reduction, efficiency enhancement, safety and environmental protection, and thereby contributing to the Group's sustainable innovative and high-quality development.

In the first half of the year, the Group coordinated and pushed forward the construction progress of new production infrastructure projects such as the 3-in-1 plastic ampoule production lines, PP upright soft bag injections production lines, featured bulk pharmaceuticals production lines of Hebei Guangxiang Pharmaceutical Co., Ltd. ("Guangxiang Pharmaceutical"), as well as the progress of new forms of preparation and biotech industrial park of Hebei Guolong Pharmaceutical Co., Ltd. ("Guolong Pharmaceutical") which is a key construction at provincial- and municipal levels. Among them, the 3-in-1 plastic ampoule production lines project has been completed and is in the stage of pilot production and verification; Guangxiang Pharmaceutical's featured bulk pharmaceuticals production lines project has been completed and entered the stage of equipment commissioning in mid-July; and the PP upright soft bag injections production lines project is expected to be completed and put into pilot production at the end of September.



### III. PROSPECTS FOR DEVELOPMENT

Looking ahead to the second half of 2023, facing new trends and environment of the pharmaceutical industry, the Group will continue to promote in-depth integration of innovative chain, industrial chain and value chain, realise the goal of strengthening the enterprise with a higher level of technology, facilitate the dual circulation of domestic and international markets, maintain a relatively robust and fast development momentum, and strive for better and more solid business results.

1. On the preparations business, the Group will enhance the quality and efficiency of sales, focus on expanding and optimising the market of solid preparations and ampoule liquid preparations, accelerate the optimisation and upgrading of the production and sales mix to increase the market share in terms of sales. In the second half of the year, the Group will conduct in-depth and systematic research and analysis of the national and local procurement policies to ensure precise market access, and will capitalize on the influence and driving effects of the Group Purchasing Organisation Programme to expand the proportion of high-value-added products in terms of production and sales. The Group will focus on increasing sales volume of major types of therapeutic infusion products and reinforce major types of therapeutic infusion products with revenue exceeding RMB100 million to ensure the sustainable growth in production and sales of infusion products. The Group will further expand and strengthen its ampoule liquid injection business, step up effort to increase sales of new ampoule products, explore the market potential of dominant products and develop types that may have revenue of RMB100 million to increase the contribution of ampoule products. At the same time, the Group will put efforts in developing new businesses. By leveraging and exploring research and development results of new products including solid preparations, ampoule liquid injections, lyophilized powder injections, precisely capturing market access, optimising marketing channels and market distribution, and enhancing professional marketing, the Group is endeavouring to increase proportion of revenue of non-infusion solution products such as solid preparations and ampoule liquid injections. The Group will accelerate the construction of its online sales platform to provide new momentum for sales of new solid preparations products.
2. On the bulk pharmaceuticals business, while stabilising its customer base in America, Europe, South Asia and Southeast Asia, the Group will strengthen the development of domestic customers, and accelerate the sales of products with distinctive strengths. Meanwhile, the Group will continue to improve the product mix of Guangxiang Pharmaceutical and Guolong Pharmaceutical, accelerate the implementation and translation of new high value-added products, and continue to provide the Group with the resilience and vitality for the development of bulk pharmaceuticals.

3. The Group will strive to achieve new breakthroughs in accelerating the development of specialised generic drug, high-end complex preparations and innovative drugs by adhering to the strategy of “combination of generic and innovative drugs”. The Group will focus on complex preparations and specialised generic drugs in the research and development work for the moment. The Group will leverage on the cooperation mechanism and talent recruitment mechanism with universities and scientific research institutes to organise the product types in its pipeline and plan, and will explore more high-quality research projects to continuously elevate our level on efficiency of research and development, and create our new advantages in research and development approvals and submissions. In the second half of this year, the Group will strive to obtain 52 various production approvals, including 25 for liquid preparations, 18 for solid preparations and 9 for bulk pharmaceuticals, with a view to achieving new breakthroughs and progress in key research and development projects. The Group will put emphasis on the connection between its research & development and translation into products to create opportunities for high-quality products to gain the market, and to continuously empower enterprises in ascending to the middle to high ends of the value chain through innovations results.
4. The Group will coordinate to push forward projects with new construction and construction-in-progress to create new drivers and room for the Group to accelerate its transformation and upgrade. The Group will adhere to the concept of high-standard design and construction, take the “lighthouse factory” as its goal, base on a high positioning and aim at international standards, and push forward the construction progress of projects with construction-in-progress and new construction to ensure early completion, early commencement of production and early achievement of results, in order to continue to build up the momentum and level for the high-quality development of the Group.
5. The Group will actively push forward the transfer of spin-off listing of Jiangsu Best New Medical Material in the PRC. In the second half of this year, Jiangsu Best New Medical Material will proceed with the transfer to the Beijing Stock Exchange on schedule in accordance with the rules and requirements of the Beijing Stock Exchange, and is committed to accelerating its advancement to the A-share market of the Beijing Stock Exchange with a stronger development results. On the other hand, the Group will capitalise on its strengths and actively to identify opportunities for merger and acquisition as well as investment in the pharmaceutical industry, which will strengthen the Group’s position in the market and products, and enhance the return on investment.

The Group will take on the initiatives in its development, maintain the resilience and dynamism of innovation and development, and facilitate the high-quality development of the Group with concrete actions and solid results. We truly believe that with our advantages in scale, quality, management and branding built up in the industry over the years, and with our continuous the innovative momentum, we will bring satisfactory returns to our investors with stronger development results.

I would like to take this opportunity to express our gratitude to our investors and all staff of the Group for their support to the development of the Group.

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

for the six months ended 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	3	<b>3,333,157</b>	3,404,513
Cost of sales		<u>(1,388,406)</u>	<u>(1,465,066)</u>
<b>Gross profit</b>		<b>1,944,751</b>	1,939,447
Other net income		<b>45,301</b>	28,711
Selling and distribution costs		<b>(920,785)</b>	(933,182)
General and administrative expenses		<b>(137,699)</b>	(151,434)
Research and development costs		<b>(138,748)</b>	(124,425)
Impairment losses on trade, bills and other receivables		<u><b>(336)</b></u>	<u>(2,794)</u>
<b>Profit from operations</b>		<b>792,484</b>	756,323
Finance income		<b>24,790</b>	24,689
Finance costs		<u><b>(60,748)</b></u>	<u>(37,876)</u>
Finance costs – net	4(a)	<b>(35,958)</b>	(13,187)
Share of profit of an associate		<u><b>14,173</b></u>	<u>6,083</u>
<b>Profit before taxation</b>	4	<b>770,699</b>	749,219
Income tax	5	<u><b>(121,194)</b></u>	<u>(137,743)</u>
<b>Profit for the period</b>		<u><b>649,505</b></u>	<u>611,476</u>
<b>Other comprehensive income for the period, net of nil tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		<u><b>(261,968)</b></u>	<u>(353,664)</u>
<b>Other comprehensive income for the period</b>		<u><u><b>(261,968)</b></u></u>	<u><u>(353,664)</u></u>
<b>Total comprehensive income for the period</b>		<u><u><b>387,537</b></u></u>	<u><u>257,812</u></u>

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<b>638,611</b>	570,056
Non-controlling interests		<b>10,894</b>	41,420
		<u>638,611</u>	<u>570,056</u>
<b>Profit for the period</b>		<b><u>649,505</u></b>	<b><u>611,476</u></b>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>387,382</b>	229,669
Non-controlling interests		<b>155</b>	28,143
		<u>387,382</u>	<u>229,669</u>
<b>Total comprehensive income for the period</b>		<b><u>387,537</u></b>	<b><u>257,812</u></b>
<b>Earnings per share</b>			
	<i>6</i>		
Basic		<b><u>HK\$0.2149</u></b>	<b><u>HK\$0.1906</u></b>
Diluted		<b><u>HK\$0.2139</u></b>	<b><u>HK\$0.1906</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

		At 30 June 2023		At 31 December 2022	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment			4,332,959		4,214,219
Right-of-use assets			319,131		302,627
Intangible assets			1,088,733		1,039,133
Interest in an associate			399,200		408,306
Deferred tax assets			36,550		27,799
Pledged bank deposits and fixed deposits			108,867		89,976
			<u>6,285,440</u>		<u>6,082,060</u>
<b>Current assets</b>					
Inventories		1,000,583		810,656	
Trade and bills receivables	7	1,990,902		2,112,680	
Prepayments, deposits and other receivables		187,515		202,756	
Pledged bank deposits and time deposits		77,883		90,813	
Cash and cash equivalents		1,789,616		1,667,547	
		<u>5,046,499</u>		<u>4,884,452</u>	
<b>Current liabilities</b>					
Borrowings		1,670,379		1,646,082	
Trade and bills payables	8	494,157		361,063	
Contract liabilities		55,511		81,727	
Lease liabilities		2,164		1,801	
Accruals and other payables		451,608		530,652	
Income tax payable		31,345		56,561	
		<u>2,705,164</u>		<u>2,677,886</u>	
<b>Net current assets</b>			<u>2,341,335</u>		<u>2,206,566</u>
<b>Total assets less current liabilities</b>			<b>8,626,775</b>		<b>8,288,626</b>

	<i>Note</i>	<b>At 30 June 2023</b>		<b>At 31 December 2022</b>	
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Non-current liabilities</b>					
Borrowings		<b>1,709,590</b>		1,561,566	
Lease liabilities		<b>4,865</b>		–	
Deferred tax liabilities		<b>32,938</b>		20,846	
Deferred revenue		<b>197,855</b>		160,390	
			<b><u>1,945,248</u></b>		<b><u>1,742,802</u></b>
<b>NET ASSETS</b>			<b><u><u>6,681,527</u></u></b>		<b><u><u>6,545,824</u></u></b>
<b>CAPITAL AND RESERVES</b> 9					
Share capital			<b>66,208</b>		66,285
Reserves			<b><u>6,284,404</u></b>		<u>6,147,315</u>
<b>Total equity attributable to equity shareholders of the Company</b>			<b><u>6,350,612</u></b>		<u>6,213,600</u>
<b>Non-controlling interests</b>			<b><u>330,915</u></b>		<u>332,224</u>
<b>TOTAL EQUITY</b>			<b><u><u>6,681,527</u></u></b>		<b><u><u>6,545,824</u></u></b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements. The Company’s annual consolidated financial statements for the year ended 31 December 2022 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2023.

## 2 Changes in accounting policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 Revenue and segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) 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 following reportable segments.



(a) *Disaggregation of revenue*

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregation by major products or service lines		
– Sales of pharmaceutical products	<b>3,225,011</b>	3,294,478
– Sales of medical materials	<b>89,097</b>	87,850
– Services income	<b>2,167</b>	3,377
– Sales of raw materials and by-products	<b>16,882</b>	18,691
	<u><b>3,333,157</b></u>	<u>3,404,396</u>
<b>Revenue from other source</b>		
– Rental income	<u>–</u>	<u>117</u>
	<u><b>3,333,157</b></u>	<u>3,404,513</u>
Disaggregated by geographical location of customers		
– The PRC (place of domicile)	<b>3,013,522</b>	2,850,800
– Other countries	<b>319,635</b>	553,713
	<u><b>3,333,157</b></u>	<u>3,404,513</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) *Information about profit or loss, assets and liabilities*

Disaggregation of revenue from contracts with customers by 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 period is set out below:

	Six months ended 30 June 2023			
	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	3,243,090	90,067	–	3,333,157
Revenue from external customers	3,243,090	90,067	–	3,333,157
Inter-segment revenue	–	109,405	–	109,405
<b>Reportable segment revenue</b>	<b>3,243,090</b>	<b>199,472</b>	<b>–</b>	<b>3,442,562</b>
<b>Operating profit or loss/segment results</b>	<b>806,104</b>	<b>10,484</b>	<b>(24,104)</b>	<b>792,484</b>
Finance income	21,428	287	3,075	24,790
Finance costs	(31,702)	–	(29,046)	(60,748)
Share of profit of an associate	14,173	–	–	14,173
<b>Profit/(loss) before income tax</b>	<b>810,003</b>	<b>10,771</b>	<b>(50,075)</b>	<b>770,699</b>
Income tax	(117,094)	(4,100)	–	(121,194)
<b>Reportable segment profit/(loss) for the period</b>	<b>692,909</b>	<b>6,671</b>	<b>(50,075)</b>	<b>649,505</b>

## Six months ended 30 June 2022

	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	3,310,586	90,433	–	3,401,019
Over time	3,377	117	–	3,494
Revenue from external customers	3,313,963	90,550	–	3,404,513
Inter-segment revenue	5,484	89,354	–	94,838
<b>Reportable segment revenue</b>	<b>3,319,447</b>	<b>179,904</b>	<b>–</b>	<b>3,499,351</b>
<b>Operating profit or loss/segment results</b>	763,408	10,316	(17,401)	756,323
Finance income	24,569	42	78	24,689
Finance costs	(28,714)	–	(9,162)	(37,876)
Share of profit of an associate	6,083	–	–	6,083
<b>Profit/(loss) before income tax</b>	765,346	10,358	(26,485)	749,219
Income tax	(135,465)	(2,278)	–	(137,743)
<b>Reportable segment profit/(loss) for the period</b>	<b>629,881</b>	<b>8,080</b>	<b>(26,485)</b>	<b>611,476</b>

## At 30 June 2023

	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>Reportable segment assets</b>	<b>10,685,003</b>	<b>434,062</b>	<b>212,874</b>	<b>11,331,939</b>
<b>Reportable segment liabilities</b>	<b>3,350,970</b>	<b>45,476</b>	<b>1,253,966</b>	<b>4,650,412</b>

## At 31 December 2022

	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>
Reportable segment assets	10,355,222	441,541	169,749	10,966,512
Reportable segment liabilities	3,339,426	54,994	1,026,268	4,420,688

#### 4 Profit before taxation

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

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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Finance income:		
– Interest income on bank deposits	(19,642)	(15,386)
– Net foreign exchange gain	(5,148)	(9,303)
<b>Finance income</b>	<b>(24,790)</b>	<b>(24,689)</b>
Finance costs:		
– Interest expense of borrowings	60,635	39,463
– Interest on lease liabilities	113	74
Less: Interest expense capitalised into qualifying assets*	–	(1,661)
<b>Finance costs</b>	<b>60,748</b>	<b>37,876</b>
<b>Finance costs – net</b>	<b>35,958</b>	<b>13,187</b>

\* During the six months ended 30 June 2023, no borrowing costs have been capitalised (six months ended 30 June 2022: the borrowing costs have been capitalised at a rate of 4.20% per annum).

##### (b) Staff costs

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Contributions to defined contribution retirement plan	25,130	21,377
Salaries, wages and other benefits	316,232	278,075
	<b>341,362</b>	<b>299,452</b>

(c) *Other items*

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Research and development costs	243,021	216,044
Less: costs capitalised into intangible assets	(104,273)	(91,619)
	<u>138,748</u>	<u>124,425</u>
Cost of inventories <sup>#</sup>	1,384,100	1,474,961
Government grants	(41,413)	(27,411)
Depreciation charges		
– owned property, plant and equipment	173,466	180,950
– right-of-use assets	5,113	5,715
Amortisation of intangible assets	19,519	11,395
(Gain)/loss on disposal of property, plant and equipment	(399)	757

<sup>#</sup> Cost of inventories includes HK\$325,993,000 (six months ended 30 June 2022: HK\$278,835,000) 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**

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Current tax – PRC corporate income tax (“CIT”)	117,916	137,942
Deferred taxation	3,278	(199)
	<u>121,194</u>	<u>137,743</u>

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 year 2021, 2020, 2020, 2022 and 2020, respectively. According to the tax incentives rules of the CIT Law of the People’s Republic of China (the “CIT Law”) for High and New Technology Enterprises, these entities are subject to preferential 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. At 30 June 2023, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to HK\$6,421,472,000 (31 December 2022: HK\$6,390,074,000). Deferred tax liabilities of HK\$321,074,000 (31 December 2022: HK\$319,504,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

Taxation for other entities of the Group is charged at their respective applicable income tax rates ruling in the relevant jurisdictions.

## 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\$638,611,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$570,056,000) and the weighted average number of 2,971,693,000 ordinary shares (six months ended 30 June 2022: 2,990,288,000 ordinary shares) in issue during the interim period.

### (b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$638,611,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$570,056,000) and the weighted average number of 2,985,285,000 ordinary shares for the six months ended 30 June 2023 (six months ended 30 June 2022: 2,990,288,000 ordinary shares after adjusting for the effects of dilutive potential ordinary shares under the Company's share option scheme), calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares at 30 June (basic)	<b>2,971,693</b>	2,990,288
Effect of deemed issue of shares under the Company's share option scheme	<b>13,592</b>	—
Weighted average number of ordinary shares at 30 June (diluted)	<b><u>2,985,285</u></b>	<b><u>2,990,288</u></b>

The effect of outstanding share options issued by the Company is anti-dilutive for the six months ended 30 June 2022, therefore is not included in the calculation of diluted earnings per share of the Company for that period.

## 7 Trade and bills receivables

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
Within 3 months	<b>1,374,820</b>	1,267,724
4 to 6 months	<b>376,921</b>	529,845
7 to 12 months	<b>247,451</b>	321,129
1 to 2 years	<b>2,811</b>	5,483
Over 2 years	<b>1,390</b>	2,635
Less: Loss allowance	<b>(12,491)</b>	(14,136)
	<b><u>1,990,902</u></b>	<b><u>2,112,680</u></b>

As at 30 June 2023, bills receivable of HK\$139,075,000 (31 December 2022: HK\$191,746,000) mainly represent short-term bank acceptance bills 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 30 June 2023, 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 twelve 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 30 June 2023, 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 approximately HK\$629 million (31 December 2022: approximately HK\$516 million).

## 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>30 June</b> <b>2023</b> <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Within 3 months	<b>352,583</b>	311,032
4 to 6 months	<b>130,286</b>	41,673
7 to 12 months	<b>7,435</b>	5,196
1 to 3 years	<b>3,014</b>	2,281
More than 3 years	<b>839</b>	881
	<u><b>494,157</b></u>	<u>361,063</u>

## 9 Capital, reserves and dividends

### (a) Dividends

#### (i) Dividends payable to equity shareholders attributable to the interim period

	<b>Six months ended 30 June</b>	
	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend declared and paid after the interim period, of HK7.0 cents per share (30 June 2022: HK6.0 cents per share)	<u><b>207,903</b></u>	<u>179,043</u>

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

#### (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	<b>Six months ended 30 June</b>	
	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK8.0 cents per share (30 June 2022: HK7.0 cents per share)	<u><b>237,604</b></u>	<u>209,073</u>

The share premium account may be applied by the Company to pay distributions or dividends to the equity shareholders of the Company in accordance with the Company Law of the Cayman Islands.



**(b) *Purchase and cancellation of own shares***

During the six months ended 30 June 2023, the Company repurchased a total of 2,640,000 (six months ended 30 June 2022: 9,938,000) ordinary shares of the Company through the Stock Exchange at an aggregate consideration of approximately HK\$13,672,000 (six months ended 30 June 2022: HK\$36,193,000).

During the six months ended 30 June 2023, a total of 3,840,000 (six months ended 30 June 2022: 9,938,000) ordinary shares were cancelled in accordance with the Company Law of the Cayman Islands, of which, 1,200,000 ordinary shares were repurchased in December 2022.

**(c) *Share option scheme***

No share options were granted and exercised during the six months ended 30 June 2023 and 2022. As at 30 June 2023, the total number of share options outstanding and exercisable was 100,000,000 (31 December 2022: 100,000,000).

**(d) *Share award scheme***

The Company adopted a restricted share award scheme on 27 December 2018, pursuant to which, existing shares of the Company will be purchased by the trustee. The maximum number of shares which the trustee may purchase with funds contributed by the Group is 2% of the Company's issued share capital as at 27 December 2018, and each selected participant may be granted, at any one time or in aggregate, no more than 1% of the Company's issued share capital as at 27 December 2018. As at 30 June 2023, no share has been purchased by the trustee and no share has been awarded to the selected participant.

## **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 a wide range 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 six months ended 30 June 2023, the review on the Group’s business performance and financial performance are contained in the Chairman’s statement under section headed “II. 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 “III. PROSPECTS FOR DEVELOPMENT”.

### **FINANCIAL PERFORMANCE REVIEW**

#### **Revenue**

The Group’s intravenous infusion solution products 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 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. (“Guolong Pharmaceutical”), Hebei Guangxiang Pharmaceutical Co., Ltd. (“Guangxiang Pharmaceutical”) 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 6.5% when translated into Hong Kong dollars (“HK\$”) for the six months ended 30 June 2023 as compared with corresponding period of last year. As a result, in terms of HK\$, revenue of the Group for the six months ended 30 June 2023 decreased slightly by 2.1% from HK\$3,404,513,000 in corresponding period of last year to HK\$3,333,157,000. Among which, revenue from intravenous infusion solution accounted for HK\$2,069,115,000 (30 June 2022: HK\$1,833,629,000), representing an increase of 12.8% as compared with corresponding period of last year due to sales volume growth driven by strong demand after China’s COVID-19 reopening. Among which, revenue

from Non-PVC Soft Bag and Upright Soft Bag Infusion Solution were HK\$1,107,007,000 and HK\$419,490,000 respectively, totalling HK\$1,526,497,000, representing an increase of 16.3% as compared with corresponding period of last year and accounted for 73.8% of revenue from intravenous infusion solution; revenue from PP Plastic Bottle Infusion Solution was HK\$424,088,000, representing an increase of 5.1% as compared with corresponding period of last year and accounted for 20.5% of revenue from intravenous infusion solution; revenue from Glass Bottle Infusion Solution was HK\$118,530,000, representing an increase of 1.2% as compared with corresponding period of last year and accounted for 5.7% of revenue from intravenous infusion solution.

During the first half year of 2023, revenue from ampoule injections accounted for HK\$453,398,000 (30 June 2022: HK\$510,665,000). Despite of an overall increase in sales volume of ampoule products, revenue dropped by 11.2% as compared with corresponding period of last year mainly due to a change in product mix with more products sold through centralised procurement. Revenue from bulk pharmaceuticals accounted for HK\$453,626,000 (30 June 2022: HK\$776,609,000), representing a decrease of 41.6% as compared with corresponding period of last year which was caused by weaker market demands and lower market prices as a reflection of the cyclical characteristics of bulk pharmaceutical market. On the other hand, revenue from oral preparations accounted for HK\$244,391,000 (30 June 2022: HK\$145,088,000), representing a growth of 68.4% as compared to corresponding period of last year which was contributed by antiviral drug Abidol capsules and new products such as Blonanserin Tablets and Felodipine Sustained-release Tablets.

The Group will keep focusing its production in high quality intravenous infusion solution products such as Non-PVC Soft Bag infusion solution and 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.

Revenue from medical materials products contributed HK\$90,067,000 (30 June 2022: HK\$90,550,000) to the Group, representing a slight decrease of 0.5% as compared with corresponding period of last year.

### **Cost of sales**

The Group has been adopting various cost control measures such as production process optimization, equipment modification and energy conservation. During the first half year of 2023, alongside with the slight drop in revenue in terms of HK\$, the Group's cost of sales decreased by 5.2% to HK\$1,388,406,000 as compared to the corresponding period last year of HK\$1,465,066,000. The cost of direct materials, direct labour and other costs represented approximately 54.8%, 14.4% and 30.8% of the total cost of sales respectively, while their comparative percentages for the corresponding period last year were 63.3%, 10.6% and 26.1% respectively.

## **Gross profit margin**

For the six months ended 30 June 2023, the Group recorded a total gross profit of HK\$1,944,751,000 (30 June 2022: HK\$1,939,447,000). For the six months ended 30 June 2023, as compared with corresponding period of last year, there was a larger proportion of revenue contributed by finished medicines which has a higher gross profit margin than bulk pharmaceuticals in general. As a result, overall gross profit margin increased by 1.3 percentage point to 58.3% for the six months ended 30 June 2023 from 57.0% for the corresponding period last year.

## **Other net income**

For the six months ended 30 June 2023, the Group's other net income increased to approximately HK\$45,301,000 (30 June 2022: HK\$28,711,000) which mainly represented government grants.

## **Selling and distribution costs**

For the six months ended 30 June 2023, selling and distribution costs amounted to approximately HK\$920,785,000 (30 June 2022: HK\$933,182,000), which mainly consisted of advertising, marketing and promotion expenses of approximately HK\$635,570,000 (30 June 2022: HK\$651,277,000), transportation cost of approximately HK\$170,911,000 (30 June 2022: HK\$181,872,000) as well as salary expenses for sales and marketing staff of approximately HK\$38,396,000 (30 June 2022: HK\$34,091,000).

Selling and distribution costs slightly decreased by 1.3% for the six months ended 30 June 2023 as compared with corresponding period of last year alongside with the slight drop in revenue in terms of HK\$.

## **General and administrative expenses**

For the six months ended 30 June 2023, general and administrative expenses was approximately HK\$137,699,000 (30 June 2022: HK\$151,434,000) which mainly comprised of salaries expenses for administrative staff of approximately HK\$50,219,000 (30 June 2022: HK\$61,042,000) as well as depreciation and amortisation (other than research and development) expenses of approximately HK\$42,828,000 (30 June 2022: HK\$44,911,000).

Although the Group had an overall expansion in business as compared to last year, under various expense and cost control measures of the Group, there was a decrease of 9.1% in general and administrative expense as compared with corresponding period last year.

## **Research and development costs**

For the six months ended 30 June 2023, research and development (“R&D”) costs amounted to HK\$138,748,000 (30 June 2022: HK\$124,425,000), which comprised salaries expenses for R&D staff of approximately HK\$52,608,000 (30 June 2022: HK\$48,858,000), depreciation and amortisation expenses of approximately HK\$12,445,000 (30 June 2022: HK\$29,456,000) as well as other costs (such as raw materials and consumables) directly expensed of approximately HK\$73,695,000 (30 June 2022: HK\$46,111,000).

Research and development cost increased by 11.5% as compared with corresponding period of last year. Undergoing the process of enterprise transformation and product diversification, the Group expanded and expedited the research and development of new products in finished medicines, bulk pharmaceuticals as well as medical materials.

## **Profit from operations**

For the six months ended 30 June 2023, the Group’s profit from operations amounted to HK\$792,484,000, representing an increase of 4.8% as compared to HK\$756,323,000 of the corresponding period last year, and the Group’s operating profit margin (defined as profit from operations divided by total revenue) further improved to 23.8% from 22.2% of the corresponding period 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, increased by 172.7% to HK\$35,958,000 for the six months ended 30 June 2023 (30 June 2022: HK\$13,187,000) mainly due to a higher average bank borrowings interest rate as compared to the corresponding period last year.

## **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 2022 and the six months ended 30 June 2023. For the first half of year 2023, the income tax expense decreased by 12.0% to HK\$121,194,000 (30 June 2022: HK\$137,743,000).

## **Profit attributable to equity shareholders**

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2023 increased by 12.0% to HK\$638,611,000 (30 June 2022: HK\$570,056,000), with net profit margin (defined as profit attributable to equity shareholders of the Company divided by total revenue) significantly increased from 16.7% of the corresponding period last year to 19.2% for the six months ended 30 June 2023.

## **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 30 June 2023, the Group's cash and cash equivalents increased to HK\$1,789,616,000 (31 December 2022: HK\$1,667,547,000), mostly denominated in RMB.

As at 30 June 2023, the Group's bank borrowings slightly increased to HK\$3,379,969,000 (31 December 2022: HK\$3,207,648,000), comprising HK\$1,826,547,000 (31 December 2022: HK\$1,875,804,000) of borrowings denominated in RMB and HK\$1,553,422,000 (31 December 2022: HK\$1,331,844,000) in Hong Kong dollars. As at 30 June 2023, all of the Group's bank borrowings were repayable within 5 years, mostly bearing interest at variable rates.

Gearing ratio (defined as bank borrowings and lease liabilities less cash and cash equivalents divided by total capital less non-controlling interests) was 20.1% as at 30 June 2023 and was relatively stable as compared to 19.9% as at 31 December 2022. Current ratio (defined as current assets divided by current liabilities) further improved from 1.82 as at 31 December 2022 to 1.87 as at 30 June 2023.

As at 30 June 2023, the Group's total capital commitments outstanding but not provided for was HK\$641,902,000 (31 December 2022: HK\$555,075,000).

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 30 June 2023, the Group had approximately 5,300 employees (approximately 4,800 employees as at 30 June 2022), 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 granted 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 the six months ended 30 June 2023 was approximately HK\$341,362,000 (30 June 2022: HK\$299,452,000), representing an increase of 14.0% as compared with corresponding period of last year mainly due to an increased number of employees.

## **CHARGE ON ASSETS**

As at 30 June 2023, the Group's right-of-use assets of HK\$46,953,000 (31 December 2022: HK\$49,011,000) 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 following dates, the exchange rates of converting Hong Kong dollars into RMB (as calculated in Hong Kong dollars) were:

1 January 2022	0.81760
30 June 2022	0.83097
1 January 2023	0.89327
30 June 2023	0.88865

## **MATERIAL ACQUISITIONS AND DISPOSALS**

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2023.

## CONTINGENT LIABILITIES

As at 30 June 2023, 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 2,640,000 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 six months ended 30 June 2023.

During the six months ended 30 June 2023, the Company acquired an aggregate of 2,640,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$13,672,000 which details are set out below. As at 30 June 2023, all of the 2,640,000 shares have been cancelled.

<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 (HK\$)</b>
17 April 2023	1,940,000	5.25	5.16	10,180,000
10 May 2023	700,000	4.98	4.93	3,492,000
	<u>2,640,000</u>			<u>13,672,000</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 29 August 2023, and at all times during the six months ended 30 June 2023.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2023.



## **CORPORATE GOVERNANCE PRACTICES**

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 Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2023, except for the deviation as follows:

Under code provision C.2.1 of the CG code, 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.

As at 30 June 2023 and the latest practicable date, the Company has a single gender board. The Board is aware of the requirement under Rule 13.92 of the Listing Rules for issuers with a single gender board to appoint a director of a different gender no later than 31 December 2024. The Company has revisited its board diversity policy during the year ended 31 December 2022 to include such requirement as one of the measurable objectives, and will take appropriate actions to address the single gender Board issue. The Company will make relevant disclosures in amongst others, its corporate governance report, as and when appropriate pursuant to the Listing Rules. Such disclosures may include but are not limited to the measures to be taken by the Board to achieve greater gender diversity, proposed targets and timelines.

## **INDEPENDENT REVIEW OF AUDITORS**

The interim financial report for the six months ended 30 June 2023 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed and approved the interim financial information of the Group for the six months ended 30 June 2023 as contained in this interim results announcement.

## **INTERIM DIVIDEND**

The Board resolved to pay on 27 September 2023 an interim dividend of HK7 cents per share (30 June 2022: HK6 cents per share) amounting to a total of approximately HK\$207,903,000 for the six months ended 30 June 2023 to the shareholders named in the register of members of the Company on 15 September 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 18 September 2023 to Thursday, 21 September 2023 (both days inclusive), during which period, no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificate(s) 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., Friday, 15 September 2023.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim 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 interim 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, 29 August 2023

*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. Chow Kwok Wai and Mr. Jiang Guangce as independent non-executive Directors.*