



石四藥集團有限公司

SSY Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

2023
Interim Report

CORPORATE INFORMATION

STOCK CODE

2005

EXECUTIVE DIRECTORS

Mr. Qu Jiguang (*Chairman*)
Mr. Su Xuejun
Mr. Meng Guo
Mr. Chow Hing Yeung

NON-EXECUTIVE DIRECTOR

Mr. Feng Hao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yibing
Mr. Chow Kwok Wai
Mr. Jiang Guangce
(*appointed on 1 January 2023*)
Mr. Leung Chong Shun
(*retired on 19 May 2023*)

COMPANY SECRETARY

Mr. Chow Hing Yeung

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 4902-03, 49th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Meng Guo
Mr. Chow Hing Yeung

AUDIT COMMITTEE

Mr. Chow Kwok Wai (*Chairman*)
Mr. Wang Yibing
Mr. Jiang Guangce
(*with effect from 1 January 2023*)

REMUNERATION COMMITTEE

Mr. Jiang Guangce (*Chairman with effect from 19 May 2023*)
Mr. Wang Yibing
Mr. Chow Kwok Wai

NOMINATION COMMITTEE

Mr. Wang Yibing (*Chairman*)
Mr. Chow Kwok Wai
Mr. Jiang Guangce
(*with effect from 1 January 2023*)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman
KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank of China (Hong Kong)
Bank of Communications
BNP Paribas
China CITIC Bank International
China Construction Bank
Citibank (China)
Hang Seng Bank
Hongkong and Shanghai Banking Corporation
Industrial and Commercial Bank of China

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

DLA Piper Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

WEBSITE

<http://www.ssygroup.com.hk>

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

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 Thiocetic 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 Thioctic 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.

Qu Jiguang
Chairman

Hong Kong, 29 August 2023

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”.

PRINCIPAL RISKS AND UNCERTAINTIES

As a pharmaceutical enterprise in the PRC, the Group faces certain risks and uncertainties which affect its business operation and performance, some of which are inherent to pharmaceutical industry such as government policies on pharmaceutical enterprises and pharmaceutical products in the PRC.

The Group’s sales and profits in finished medicines will be affected by the selection results and tender prices of our products in Centralised Medicines Procurement and other forms of drug tenders in the PRC. To address such risk, the Group has a designated team responsible for these drug tenders including centralised procurement. The Group has also obtained registration approvals for more products which have passed or been regarded as passing the consistency evaluations and thus qualified for centralised procurement tenders. Currently, a majority of the sales of the Group’s intravenous infusion solution products are not required to go through centralised procurement. On the other hand, the Group has committed in product diversification in recent years by introducing new products in bulk pharmaceuticals and medical materials. The Group will keep continuous attention on the change of situation and make timely responses.

Save as the abovementioned principal risks and uncertainties, other risks and uncertainties had been evaluated by the Company as set out in the Chairman Statement.

COMPLIANCE WITH LAWS AND REGULATIONS

For the six months ended 30 June 2023, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a pharmaceutical enterprise, the Group recognises the importance of environmental sustainability and green manufacturing. The Group has set out policies to ensure its production to be in compliance with environmental requirements under the GMP standard and other relevant laws and regulations. For operating practices, the Group persistently adopted measures with low energy consumption and low pollution level, and encouraged its employees to put relevant environmental factors into consideration from time to time. Moreover, the Group has provided a green and eco-friendly working environment for its employees.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group believes that employees are valuable assets. The Group provides competitive remuneration package to employees which is periodically reviewed with reference to industry practice. Apart from social insurance and in-house training programmes, other kinds of remuneration such as discretionary bonuses, share options and grant of shares may be awarded to employees according to the assessment of individual performance.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. The Group has been working continuously with its suppliers to improve the standard of raw materials, and aiming at delivering products with high quality to its customers. For the six months ended 30 June 2023, there was no material and significant dispute between the Group and its suppliers and/or customers.

FINANCIAL PERFORMANCE REVIEW

REVENUE

	For the six months ended 30 June				
	2023		2022		Increase/ (Decrease) %
	Revenue HK\$'000	Percentage of revenue %	Revenue HK\$'000	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	3,333,157	100.0	3,404,513	100.0	(2.1)

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 Blonanserine 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.

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.

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. Please refer to note 12 to the financial statements for details of repayment, security and fulfillment of covenants.

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. Please refer details of the share option schemes of the Company and the Restricted Share Award Scheme in the respective sections in the Management Discussion and Analysis.

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.

Date of the purchases	Total number of the ordinary shares purchased	Highest price paid per share <i>(HK\$)</i>	Lowest price paid per share <i>(HK\$)</i>	Aggregate consideration <i>(HK\$)</i>
17 April 2023	1,940,000	5.25	5.16	10,180,000
10 May 2023	<u>700,000</u>	4.98	4.93	<u>3,492,000</u>
	<u>2,640,000</u>			<u>13,672,000</u>

SHARE SCHEME

2012 Share Option Scheme

As approved by an ordinary resolution passed by the shareholders at the Extraordinary General Meeting held on 20 September 2012, the Board adopted a share option scheme which, unless otherwise cancelled or amended, was valid and remained in force for a period of 10 years from 20 September 2012 (the “2012 Share Option Scheme”). The 2012 Share Option Scheme has expired on 19 September 2022. No further options can be offered or granted upon the expiration of the 2012 Share Option Scheme. As at date of this Interim Report, granted and unexercised share options to subscribe for 100,000,000 Shares remains outstanding under the 2012 Share Option Scheme which details are set out in the next paragraph.

On 12 January 2021 (the “Date of Grant”), the Company granted 100,000,000 share options to certain management staff of the Group who were not the Directors of the Company at the Date of Grant pursuant to the 2012 Share Option Scheme, representing approximately 3.285% of the issued share capital as at the date immediately before share options were granted. The closing price of the Shares immediately before the Date of Grant (i.e. 11 January 2021) was HK\$4.00 per Share. The exercise price was HK\$4.218. The exercisable period was from 12 January 2021 to 11 January 2026. Subsequent to the Date of Grant, two grantees namely Mr. Meng Guo and Mr. Chow Hing Yeung were appointed as executive directors of the Company on 27 August 2021. During the period of six months ended 30 June 2023 and up to date of this Interim Report, all of the 100,000,000 share options remain outstanding and exercisable.

	Six months ended 30 June 2023	Year ended 31 December 2022
Outstanding at the beginning of the period/year	100,000,000	100,000,000
Granted during the period/year	–	–
Exercised during the period/year	–	–
Lapsed during the period/year	–	–
Outstanding and exercisable at the end of the period/year	100,000,000	100,000,000

As at 30 June 2023, the share options granted under the 2012 Share Option Scheme and remained outstanding had an weighted average exercise price of HK\$4.218 and a remaining contractual life of approximately 2.53 years. Assuming that all share options outstanding as at 30 June 2023 are exercised, the Company will receive proceeds of HK\$421,800,000.

2023 Share Option Scheme

On 28 October 2022, in view of the expiration of the 2012 Share Option Scheme, the Board proposed to adopt a new share option scheme (the “2023 Share Option Scheme”) in accordance with Chapter 17 of the Listing Rules, which would be effective on 1 January 2023, to grant option(s) subscribe for ordinary share(s) of the Company (the “Share Option(s)”) to the Eligible Participants including Employee Participant(s), Related Entity Participant(s) and Service Provider(s), all as defined in the 2023 Share Option Scheme, as incentives or rewards for their contribution or potential contribution to the Group. The 2023 Share Option Scheme was adopted by an ordinary resolution passed by the shareholders at the Extraordinary General Meeting held on 13 January 2023. The 2023 Share Option Scheme is valid and effective for a period of ten (10) years commencing on the Adoption Date (i.e. 13 January 2023), after which period, no further Share Options shall be offered or granted but the provisions of the 2023 Share Option Scheme shall remain in full force and effect in all other respects. Share Options granted during the life of the 2023 Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the 10-year period.

The basis of eligibility of any of the Eligible Participants to the grant of Share Options shall be determined by the Board from time to time on the basis of the Board’s opinion as to his contribution or potential contribution to the development and growth of the Group. The eligibility of any of the Eligible Participants to an Offer shall be determined by the Board from time to time on the basis of the Board’s opinion as to the Eligible Participant’s contribution to the development and growth of the Group. In assessing whether Share Options are to be granted to any Eligible Participant, the Board shall take into account various factors, including but not limited to, the nature and extent of contributions provided by such Eligible Participant to the Group, the special skills or technical knowledge possessed by them which is beneficial to the continuing development of the Group, the positive impacts which such Eligible Participant has brought to the Group’s business and development and whether granting Share Options to such Eligible Participant is an appropriate incentive to motivate such Eligible Participant to continue to contribute towards the betterment of the Group.

Pursuant to the 2023 Share Option Scheme, offer for the grant of Share Options (“Offer”) is open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 30 days from the date on which the Board resolves to make an Offer of a Share Option to an Eligible Participant (the “Offer Date”), with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant. A grantee is required to hold a Share Option for not less than twelve (12) months from the Offer Date before it can be exercised. The exercise price in respect of any Share Option shall be at the discretion of the Directors, provided that it must be at least the highest of (a) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the Offer Date; (b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and (c) the nominal value of the Shares on the Offer Date. The period during which such Share Option can be exercised is determined and notified by the Board to the grantee, save that such period shall not be more than ten (10) years from the Offer Date.

The total number of Shares which may be allotted and issued upon exercise of all Share Options or share options or share awards to be granted under the 2023 Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date (the “Scheme Limit”). The total number of Shares which may be allotted and issued in respect of all Share Options or share options or share awards to be granted to Service Providers under the 2023 Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company must not in aggregate exceed 1% of the total number of Shares in issue as at the Adoption Date (the “Service Provider Sublimit”). The Scheme Limit and the Service Provider Sublimit may be refreshed at any time by obtaining approval of the Shareholders in general meeting after three years from Adoption Date or the date of Shareholders’ approval for the last refreshment provided that the total number of Shares which may be issued in respect of all share options and shares awards to be granted under all of the share option scheme(s) or share award scheme(s) of the Company under the Scheme Limit as refreshed must not exceed 10% and the Service Provider Sublimit as refreshed must not exceed 1% of the Shares in issue at the date of the Shareholders’ approval of such Scheme Limit.

The total number of Shares issued and which may fall to be issued upon exercise of the Share Options and the share options and share awards granted under the 2023 Share Option Scheme or any other share option scheme(s) or share award scheme(s) of the Company (including both exercised or outstanding Share Options) to each Eligible Participant in any 12-month period shall not exceed 1% of the total number of Shares in issue unless, among other things, it is separately approved by the Shareholders in general meeting with such Eligible Participant and his/her close associates (or associates if the Eligible Participant is a connected person) abstaining from voting. Each grant of Share Options to a Director, chief executive of the Company or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the proposed Grantee of a Share Option). Any grant of Share Options to an independent non-executive Director or a Substantial Shareholder (or any of their respective associates) would result in the Shares issued and to be issued in respect of all share options or share awards granted (excluding any share options or share awards lapsed) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of Share Options shall be subject to approval by the Shareholders in general meeting at which the Grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting, and in accordance with the Listing Rules.

Since the adoption of the 2023 Share Option Scheme and as at date of this Interim Report, no share option has been granted under the 2023 Share Option Scheme. As at 30 June 2023, the number of share options available for grant under the scheme mandate is 297,268,338 (31 December 2022: 297,268,338) and the Service Provider Sublimit is 29,726,833 (31 December 2022: 29,726,833).

As at date of this Interim Report, the total number of Shares available for issue under all of the share option scheme(s) of the Company (being the 2023 Share Option Scheme only as the 2012 Share Option Scheme has expired) is 297,268,338, which represented approximately 10.01% of the issued shares of the Company as at date of this Interim Report (being 2,970,043,385 Shares).

Restricted Share Award Scheme

The Company has adopted the Restricted Share Award Scheme on 27 December 2018, pursuant to which existing shares of the Company (the “Shares”) will be purchased by the trustee from the market out of cash contributed by the Group and be held on trust for the participants selected by the Board (the “Selected Participants”) until such Shares are vested in the relevant Selected Participants in accordance with the terms of the Restricted Share Award Scheme. The Restricted Share Award Scheme shall terminate upon the expiry of the period of 10 years from 27 December 2018 unless it is early terminated pursuant to this Scheme Rules by board resolution. The purpose and objective of the Restricted Share Award Scheme are to provide the Selected Participants with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Company, and to provide additional incentive for them to achieve performance goals. The Selected Participants of the Restricted Share Award Scheme include any individual being an executive director, employee, officer of the Company or any subsidiary.

The Board may, from time to time, at its absolute discretion determine the number of restricted Shares to be granted and select any participant to be a Selected Participant with such vesting conditions as it may deem appropriate under the Restricted Share Award Scheme. The Board shall pay to the Trustee the sum of the price of the Shares together with all related purchase expenses required for the completion of the purchase of all the Shares to be granted (the “Referable Amount”) from the Company’s resources as soon as possible. Within 20 business days (or such longer period as the Trustee and the Board may agree from time to time) of receiving the Referable Amount, the Trustee shall apply the same towards the purchase of the Shares on the Stock Exchange. After the Board has determined the number of Shares to be granted and the Selected Participants, it shall notify the trustee and the Selected Participants in writing on the proposed Grant Date. Upon receipt of the notification, the Selected Participants are required to confirm their acceptance by returning to the Board a notice of acceptance duly executed by them within 28 days after the Grant Date. The vesting of the Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the Vesting Date a Participant of the Company or any subsidiary. Subject to the vesting conditions set

out in the Restricted Share Award Scheme, any Share held by the Trustee on behalf of a Selected Participant pursuant to the Restricted Share Award Scheme would vest in such Selected Participant in accordance with the vesting schedule as determined by the Board from time to time.

The maximum number of Shares which the trustee may purchase with funds contributed by the Group amounts to 60,280,507 Shares, representing 2% of the Company's issued share capital as at 27 December 2018. The maximum number of Shares which may be granted to a Selected Participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company as at 27 December 2018, and the transactions involved shall be in compliance with the requirements of Chapter 14A of the Listing Rules if they fell under the definition of "connected transactions" in Chapter 14A of the Listing Rules.

Since the adoption of the Restricted Share Award Scheme and up to 30 June 2023, no Share has been purchased by the Trustee. Subsequent to 30 June 2023 and up to date of this Interim Report, 3,300,000 Shares have been purchased by the Trustee but no Share has been awarded to any Selected Participants pursuant to the Restricted Share Award Scheme. As at date of this Interim Report, the number of Shares available for grant under the Restricted Share Award Scheme is 3,300,000 Shares (30 June 2023 and 31 December 2022: nil Shares).

Pursuant to the Restricted Share Award Scheme, the restricted Shares will only be comprised of existing Shares to be purchased by the trustee from the market, and no new Shares will be issued to the trustee nor the Selected Participants by the Company.

DIRECTORS

The Directors during the six months ended 30 June 2023 and up to the date of this Interim Report were:

Executive Directors

Mr. Qu Jiguang
Mr. Su Xuejun
Mr. Meng Guo
Mr. Chow Hing Yeung

Non-executive Director

Mr. Feng Hao

Independent Non-executive Directors

Mr. Wang Yibing
Mr. Chow Kwok Wai
Mr. Jiang Guangce (*appointed on 1 January 2023*)
Mr. Leung Chong Shun (*retired on 19 May 2023*)

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for an initial term of 3 years commencing from the appointment date renewable for successive terms of 3 years commencing from the day next after the expiry of the then current term of the appointment.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 17 to the financial statements, no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2023 or at any time during the six months ended 30 June 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the interest of Directors of the Company in businesses which was likely to compete with the Group during the six months ended 30 June 2023 and as at 30 June 2023 were as follows:

Non-executive Director, Mr. Feng Hao (who was appointed on 24 November 2017), has been a deputy general manager and the secretary to the board of directors of Sichuan Kelun Pharmaceutical Co., Ltd. ("Sichuan Kelun", a substantial shareholder of the Company) since April 2014. Sichuan Kelun is engaged in the same industry of manufacturing and selling of intravenous infusion solution as the Group. Although some of the business conducted by Sichuan Kelun are similar to those conducted by the Group, most of them are of different kinds of products and/or at different locations. The Group has been operating independently of, and at the arm's length from, the businesses of Sichuan Kelun. Furthermore, all directors of the Company are reminded of their fiduciary duties to the Group and that they must, in the performance of their duties of directors, avoid actual and potential conflicts of interest and duty. There are three Independent non-executive Directors in the Board to ensure that the interests of the general shareholders are adequately represented. Therefore, the Board is of the view that the interests of the Group and of the shareholders as a whole are properly safeguarded.

Save as disclosed above, as at 30 June 2023 and up to the date of this interim report, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

As at 30 June 2023, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules once the shares are listed, were as follows:

Name of Director	Capacity	Long/short position	Number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Qu Jiguang	Beneficial owner	Long	279,746,000	9.42%
	Interest in a controlled corporation (Note 1)	Long	817,030,000	27.51%
Mr. Su Xuejun	Beneficial owner	Long	24,416,000	0.82%
Mr. Meng Guo	Beneficial owner (Note 2)	Long	20,000,000	0.67%
Mr. Chow Hing Yeung	Beneficial owner (Note 2)	Long	2,000,000	0.07%

Notes:

1. These shares were registered in the name of and beneficially owned by China Pharmaceutical Company Limited (“CPCL”). CPCL is a corporation which Mr. Qu Jiguang controls (i.e. a controlled corporation as defined in Part XV of the SFO) as Mr. Qu Jiguang beneficially holds the majority (i.e. over 50%) of the shares of CPCL. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.
2. These represent the underlying interest in shares of the Company pursuant to share options granted, among others, to Mr. Meng Guo and Mr. Chow Hing Yeung on 12 January 2021 under the 2012 Share Option Scheme. As at 30 June 2023 and up to the date of this interim report, all of these share options remain outstanding and exercisable.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company or the Stock Exchange pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (b) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the sections headed “DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN THE SHARES” and “SHARE SCHEME”, at no time during the six months ended 30 June 2023 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS IN THE SHARES

As at 30 June 2023, the register of substantial shareholders required to be kept by the Company under section 336 of the SFO shows that the Company had been notified of the following interests, being 5% or more in the issued share capital and underlying shares of the Company.

Name of Shareholder	Capacity	Long/short position	Number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Qu Jiguang	Beneficial owner Interest in a controlled corporation (Note 1)	Long	279,746,000	9.42%
		Long	817,030,000	27.51%
CPCL (Note 1)	Beneficial owner	Long	817,030,000	27.51%
Sichuan Kelun Pharmaceutical Co., Ltd (四川科倫藥業股份有限公司)	Interest in a controlled corporation (Note 2) Beneficial owner	Long	446,852,000	15.05%
		Long	159,870,000	5.38%
Kelun International Development Co., Ltd (科倫國際發展有限公司) (Note 2)	Beneficial owner	Long	446,852,000	15.05%
UBS Group AG (Note 3)	Interest in a controlled corporation	Long	311,676,312	10.49%

Notes:

- These shares were registered in the name of and beneficially owned by CPCL. CPCL is a corporation which Mr. Qu Jiguang controls (i.e. a controlled corporation as defined in Part XV of the SFO) as Mr. Qu Jiguang beneficially holds the majority (i.e. over 50%) of the shares of CPCL. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.
- 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).
- Among the interests of UBS Group AG in the Company. 50,000 shares were held through cash settled derivatives (off exchange).

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 report.

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.

On behalf of the Board

Qu Jiguang

Chairman

Hong Kong, 29 August 2023



Review report to the board of directors of SSY Group Limited

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 43 to 72 which comprises the consolidated statement of financial position of SSY Group Limited (the “Company”) as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2023

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023 (unaudited) (continued)
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Total comprehensive income for the period		387,537	257,812
Profit attributable to:			
Equity shareholders of the Company		638,611	570,056
Non-controlling interests		10,894	41,420
Profit for the period		649,505	611,476
Total comprehensive income attributable to:			
Equity shareholders of the Company		387,382	229,669
Non-controlling interests		155	28,143
Total comprehensive income for the period		387,537	257,812
Earnings per share	7		
Basic		HK\$0.2149	HK\$0.1906
Diluted		HK\$0.2139	HK\$0.1906

The notes on pages 51 to 72 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

	Note	At 30 June 2023		At 31 December 2022	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment	8		4,332,959		4,214,219
Right-of-use assets	8		319,131		302,627
Intangible assets	8		1,088,733		1,039,133
Interest in an associate	9		399,200		408,306
Deferred tax assets			36,550		27,799
Pledged bank deposits and fixed deposits			108,867		89,976
			6,285,440		6,082,060
Current assets					
Inventories	10		1,000,583		810,656
Trade and bills receivables	11		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
			5,046,499		4,884,452
Current liabilities					
Borrowings	12		1,670,379		1,646,082
Trade and bills payables	13		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
			2,705,164		2,677,886
Net current assets			2,341,335		2,206,566
Total assets less current liabilities			8,626,775		8,288,626

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 (unaudited) (continued)

(Expressed in Hong Kong dollars)

	Note	At 30 June 2023		At 31 December 2022	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current liabilities					
Borrowings	12	1,709,590		1,561,566	
Lease liabilities		4,865		–	
Deferred tax liabilities		32,938		20,846	
Deferred revenue		197,855		160,390	
			1,945,248		1,742,802
NET ASSETS			6,681,527		6,545,824
CAPITAL AND RESERVES	14				
Share capital			66,208		66,285
Reserves			6,284,404		6,147,315
Total equity attributable to equity shareholders of the Company			6,350,612		6,213,600
Non-controlling interests			330,915		332,224
TOTAL EQUITY			6,681,527		6,545,824

Approved and authorised for issue by the board of directors on 29 August 2023.

Qu Jiguang
Director

Su Xuejun
Director

The notes on pages 51 to 72 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Share-based payment reserve	Currency translation differences	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2022	66,741	113,103	177,061	349,536	67,050	250,064	5,195,308	6,218,863	273,845	6,492,708
Changes in equity for the six months ended 30 June 2022:										
Profit for the period	-	-	-	-	-	-	570,056	570,056	41,420	611,476
Other comprehensive income	-	-	-	-	-	(340,387)	-	(340,387)	(13,277)	(353,664)
Total comprehensive income	-	-	-	-	-	(340,387)	570,056	229,669	28,143	257,812
Dividends paid to equity shareholders of the Company	14(a)	-	-	-	-	-	(209,073)	(209,073)	-	(209,073)
Dividends paid by subsidiary to non-controlling interests		-	-	-	-	-	-	-	(2,386)	(2,386)
Purchase and cancellation of own shares	14(b)	(199)	(35,994)	-	-	-	-	(36,193)	-	(36,193)
Acquisition of non-controlling interests in a subsidiary		-	-	4,707	-	-	-	4,707	(6,625)	(1,918)
Capital contribution from non-controlling interests, net off issuing costs of a subsidiary		-	-	1,905	-	-	-	1,905	26,891	28,796
Balance at 30 June 2022 and 1 July 2022	66,542	77,109	183,673	349,536	67,050	(90,323)	5,556,291	6,209,878	319,868	6,529,746
Changes in equity for the six months ended 31 December 2022:										
Profit for the period	-	-	-	-	-	-	552,781	552,781	25,293	578,074
Other comprehensive income	-	-	-	-	-	(318,962)	-	(318,962)	(13,029)	(331,991)
Total comprehensive income	-	-	-	-	-	(318,962)	552,781	233,819	12,264	246,083
Capital contribution in a subsidiary		-	-	(847)	-	-	-	(847)	847	-
Dividends paid to equity shareholders of the Company	14(a)	-	-	-	-	-	(179,043)	(179,043)	-	(179,043)
Dividends paid by subsidiary to non-controlling interests		-	-	-	-	-	-	-	(91)	(91)
Purchase and cancellation of own shares		(257)	(44,454)	(5,254)	-	-	-	(49,965)	-	(49,965)
Acquisition of non-controlling interests in a subsidiary		-	-	(242)	-	-	-	(242)	(664)	(906)
Transfer to statutory reserve		-	-	-	143,035	-	-	(143,035)	-	-
Balance at 31 December 2022	66,285	32,655	177,330	492,571	67,050	(409,285)	5,786,994	6,213,600	332,224	6,545,824

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 (unaudited) (continued)

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Share-based payment reserve	Currency translation differences	Retained earnings	Total		
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2023	66,285	32,655	177,330	492,571	67,050	(409,285)	5,786,994	6,213,600	332,224	6,545,824
Changes in equity for the six months ended 30 June 2023:										
Profit for the period	-	-	-	-	-	-	638,611	638,611	10,894	649,505
Other comprehensive income	-	-	-	-	-	(251,229)	-	(251,229)	(10,739)	(261,968)
Total comprehensive income	-	-	-	-	-	(251,229)	638,611	387,382	155	387,537
Dividends paid to equity shareholders of the Company	14(a)	-	-	-	-	-	(237,604)	(237,604)	-	(237,604)
Dividends paid by subsidiary to non-controlling interests		-	-	-	-	-	-	-	(1,464)	(1,464)
Purchase and cancellation of own shares	14(b)	(77)	(18,849)	5,254	-	-	-	(13,672)	-	(13,672)
Acquisition of non-controlling interests in a subsidiary		-	-	906	-	-	-	906	-	906
Balance at 30 June 2023	66,208	13,806	183,490	492,571	67,050	(660,514)	6,188,001	6,350,612	330,915	6,681,527

The notes on pages 51 to 72 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 (unaudited)

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Operating activities		
Cash generated from operations	661,515	362,146
Interest paid	(55,662)	(36,984)
Income tax paid	(142,252)	(131,782)
Net cash generated from operating activities	463,601	193,380
Investing activities		
Purchase of property, plant and equipment	(196,067)	(140,062)
Payment for additions to land use rights	(28,590)	–
Payment for additions to intangible assets	(98,441)	(96,234)
Acquisition of a subsidiary, net of cash acquired	–	(52,933)
(Increase)/decrease of fixed deposits and time deposits	(22,506)	23,620
Acquisition of non-controlling interests in a subsidiary	–	(1,918)
Interest received	18,786	15,386
Government grant received related to property, plant and equipment	51,348	6,198
Dividend received from an associate	10,052	–
Other cash flows arising from investing activities	37	2
Net cash used in investing activities	(265,381)	(245,941)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 (unaudited) (continued)

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Financing activities			
Payments for repurchase of own shares of the Company	14(b)	(13,672)	(36,193)
Capital element of lease rentals paid		(1,355)	(1,391)
Interest element of lease rentals paid		(113)	(74)
Proceeds from borrowings		688,129	1,808,986
Repayments of borrowings		(458,631)	(1,506,654)
Dividends paid to equity shareholders of the Company	14(a)	(237,604)	(209,073)
Dividends paid by a subsidiary to non-controlling interests		(1,464)	(2,386)
Capital contribution from non-controlling interests, net off issuing costs of a subsidiary		–	28,796
Net cash (used in)/generated from financing activities		(24,710)	82,011
Net increase in cash and cash equivalents		173,510	29,450
Cash and cash equivalents at 1 January		1,667,547	1,661,736
Effect of foreign exchanges rates changes		(51,441)	(65,962)
Cash and cash equivalents at 30 June		1,789,616	1,625,224

The notes on pages 51 to 72 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

SSY Group Limited (the “Company”) and its subsidiaries (together, the “Group”) are engaged in the research, development, manufacturing and selling of a wide range of pharmaceutical products, which includes finished medicines, 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.

The Company is an exempted company with limited liability established under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 20 December 2005.

2 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 3.

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.

2 BASIS OF PREPARATION *(continued)*

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. KPMG's independent review report to the Board of Directors is included on pages 41 and 42.

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.

3 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.

4 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.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(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:

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b).

4 REVENUE AND SEGMENT REPORTING (continued)

(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 HK\$'000	Medical materials HK\$'000	Unallocated HK\$'000	Total HK\$'000
Disaggregated by timing of revenue recognition				
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
Reportable segment revenue	3,243,090	199,472	–	3,442,562
Operating profit or loss/ segment results	806,104	10,484	(24,104)	792,484
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
Profit/(loss) before income tax	810,003	10,771	(50,075)	770,699
Income tax	(117,094)	(4,100)	–	(121,194)
Reportable segment profit/ (loss) for the period	692,909	6,671	(50,075)	649,505

4 REVENUE AND SEGMENT REPORTING *(continued)*

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

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>
Disaggregated by timing of revenue recognition				
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
Reportable segment revenue	3,319,447	179,904	–	3,499,351
Operating profit or loss/segment results				
Finance income	763,408	10,316	(17,401)	756,323
Finance costs	24,569	42	78	24,689
Share of profit of an associate	(28,714)	–	(9,162)	(37,876)
	6,083	–	–	6,083
Profit/(loss) before income tax	765,346	10,358	(26,485)	749,219
Income tax	(135,465)	(2,278)	–	(137,743)
Reportable segment profit/(loss) for the period	629,881	8,080	(26,485)	611,476

4 REVENUE AND SEGMENT REPORTING (continued)

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

	At 30 June 2023			
	Intravenous infusion solution and others HK\$'000	Medical materials HK\$'000	Unallocated HK\$'000	Total HK\$'000
Reportable segment assets	10,685,003	434,062	212,874	11,331,939
Reportable segment liabilities	3,350,970	45,476	1,253,966	4,650,412

	At 31 December 2022			
	Intravenous infusion solution and others HK\$'000	Medical materials HK\$'000	Unallocated HK\$'000	Total HK\$'000
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

5 PROFIT BEFORE TAXATION

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

(a) Finance income and costs

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Finance income:		
– Interest income on bank deposits	(19,642)	(15,386)
– Net foreign exchange gain	(5,148)	(9,303)
Finance income	(24,790)	(24,689)
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)
Finance costs	60,748	37,876
Finance costs – net	35,958	13,187

* 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).

5 PROFIT BEFORE TAXATION (continued)

(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
	341,362	299,452

(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)
	138,748	124,425
Cost of inventories [#]	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

[#] 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 5(b) for each of these types of expenses.

6 INCOME TAX

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

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.

7 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)

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

The effect of outstanding share options issued by the Company (note 14(c)) 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.

8 RIGHT-OF-USE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(a) Acquisition and disposal of owned assets

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment and intangible assets with costs of HK\$442,789,000 and HK\$104,552,000 respectively (six months ended 30 June 2022: HK\$411,418,000 and HK\$114,935,000, respectively).

Items of plant and equipment with a carrying amount of HK\$4,416,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$5,897,000), resulting in a gain on disposal of HK\$399,000 (six months ended 30 June 2022: a loss on disposal of HK\$757,000) recognised in the reporting period.

During the six months ended 30 June 2023, the Group acquired items of land use rights with costs of HK\$25,173,000. During the six months ended 30 June 2022, an indirect wholly-owned subsidiary of the Company completed the acquisition of 100% interest in Youyi Chemical, and recognised additions to right-of-use assets of HK\$10,485,000.

(b) As at 30 June 2023, the Group's right-of-use assets with carrying amount of HK\$46,953,000 (31 December 2022: HK\$49,011,000) were pledged as collateral for the Group's bank borrowings (see note 12).

9 INTEREST IN AN ASSOCIATE

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Cisen Pharmaceutical Co., Ltd.* ("Cisen") 辰欣藥業股份有限公司	399,200	408,306

* The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

The above associate is accounted for using the equity method in the consolidated financial statements.

9 INTEREST IN AN ASSOCIATE *(continued)*

As at 30 June 2023, the following list contains the particulars of the associate, which is a listed corporate entity whose quoted market price is available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Cisen Pharmaceutical Co., Ltd. <i>(Note)</i>	Incorporated	The PRC	453,263,000 ordinary shares	6.10%	–	6.10%	Production, sales and research and development of pharmaceuticals

Note: Cisen is a company established under the laws of the PRC, the shares of which are listed on the main board of Shanghai Stock Exchange. On 30 June 2023, the quoted market price of Cisen was RMB15.18 per share and the market value of the investment in Cisen was approximately RMB420 million (equivalent to approximately HK\$455 million).

During the six months ended 30 June 2023, the Group received dividends of HK\$10,052,000 (six months ended 30 June 2022: nil) from Cisen.

10 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Raw materials	462,996	440,811
Work in progress	29,233	19,134
Finished goods	508,354	350,711
	1,000,583	810,656

11 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:

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

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).

12 BORROWINGS

As of the end of the reporting period, the borrowings were repayable as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Within 1 year or on demand	1,670,379	1,646,082
After 1 year but within 2 years	1,264,278	285,468
After 2 years but within 5 years	445,312	1,276,098
	1,709,590	1,561,566
	3,379,969	3,207,648

As of the end of the reporting period, the borrowings were secured as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Bank borrowings		
– secured	138,831	167,922
– unsecured	3,241,138	3,039,726
	3,379,969	3,207,648

12 BORROWINGS *(continued)*

As at 30 June 2023, certain of the Group's borrowings were secured by the Group's right-of-use assets with carrying amount of HK\$46,953,000 (31 December 2022: HK\$49,011,000).

The Group's drawn down bank facilities of HK\$2,975,242,000 (31 December 2022: HK\$2,707,016,000) are subject to the fulfilment of covenants relating to certain specific performance requirements on the Group. If the Group were to breach the covenants, drawn down loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at and during the six-month period ended 30 June 2023, the Group did not breach any covenants relating to drawn down facilities, which would be repaid on demand by the banks.

13 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:

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

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

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

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*

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

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.

14 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(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.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The three-level fair value hierarchy of financial instruments as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2023 HK\$'000	Fair value measurements as at 30 June 2023		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
Financial assets:				
Fair value through other comprehensive income				
– Bills receivable	139,075	–	139,075	–

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	Fair value at 31 December 2022 HK\$'000	Fair value measurements as at 31 December 2022		
		Level 1	Level 2	Level 3
		HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurements

Financial assets:

Fair value through other comprehensive
income

– Bills receivable	191,746	–	191,746	–
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During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, nor transfers into or out of Level 3 (2022: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The carrying values of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

16 COMMITMENTS

Capital commitments outstanding not provided for:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Contracted for	641,902	524,849
Authorised but not contracted for	–	30,226
	641,902	555,075

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	5,626	5,534
Discretionary bonus	–	8,000
	5,626	13,534

(b) Related party transactions

During the six-month periods ended 30 June 2023 and 30 June 2022, the directors are of the view that the following companies are related parties:

<i>Name of party</i>	<i>Relationship</i>
<i>Sichuan Kelun and its subsidiaries (together as "Kelun Group") (i)</i>	<i>The party whose parent has a significant influence on the Company</i>
<i>Cisen Pharmaceutical Co., Ltd. ("Cisen") (ii)</i>	<i>Associate of the Group</i>

Note:

- (i) Sichuan Kelun Pharmaceutical Co., Ltd. ("Sichuan Kelun") has been regarded as having a significant influence on the Company since 24 November 2017 and thus Sichuan Kelun and its subsidiaries (together as "Kelun Group") are related parties of the Company. In addition, the entities controlled by the ultimate controlling shareholder of Sichuan Kelun are also related parties of the Company.
- (ii) Upon the completion of the acquisition transaction on 14 September 2021, Cisen has become an equity-accounted investee of the Group. The transactions with Cisen since the date of the acquisition were disclosed as related party transactions.

17 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Related party transactions *(continued)*

Particulars of the Group's transactions with these parties are as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Sales of goods and provision of services to Kelun Group	35,014	26,198
Sales of goods to Cisen	715	239
Purchase of materials and patents, receiving of services from Kelun Group	148,519	91,845

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) On 29 August 2023, the board of directors resolved to pay an interim dividend of HK7.0 cents per ordinary share (see note 14(a)).
- (b) After the end of the reporting period, a total of 3,300,000 ordinary shares of the Company was purchased by the trustee through the Stock Exchange at an aggregate consideration of approximately HK\$14,933,000 (including approximately HK\$58,000 expenses directly attributable to the purchase) pursuant to the restricted share award scheme of the Company as disclosed in note 14(d).