石四藥集團有限公司
SSY Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2005)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of SSY Group Limited (the "Company"), I hereby present the annual result of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023.

I. RESULT AND DIVIDEND DISTRIBUTION

In 2023, despite facing a challenging external environment and the impact by various factors such as intensified competition within the domestic pharmaceutical industry, the Group has been improving the efficiency of new product development, optimizing the production and sales mix, and expanding sales channels. The Group focused on increasing market shares and sizes in areas of dominant preparations, key preparations, commodity bulk pharmaceuticals, and medical materials products. As a result, the Group's overall operations continued to demonstrate stability and positive growth, marking a significant milestone once again in its high-quality development.

In 2023, the Group achieved a revenue of approximately Renminbi ("RMB") 5,824 million, representing an increase of approximately 4.9% as compared to last year. However, due to depreciation of Renminbi against Hong Kong dollars ("HK$") by approximately 4.3% on average as compared to last year. In terms of Hong Kong dollars, the Group's revenue was approximately HK$6,463 million during this year, representing an increase of 0.5% as compared to last year, and the gross profit margin for this year was 56.0%, representing an increase of 0.6 percentage point as compared to last year. The Group achieved a net profit of approximately HK$1,319 million, representing an increase of approximately 17.4% as compared to last year.

The Directors resolved to pay a final dividend of HK$0.10 per share on 4 June 2024 to the shareholders named in the register of members of the Company on 22 May 2024. Total dividends for the year were HK$0.17 per share, representing an increase of approximately 21.4% compared to last year.

II. BUSINESS REVIEW

(1) Sales of Products

For the year ended 31 December 2023, revenue of the Group amounted to approximately HK$6,463,009,000, representing an increase of 0.5% as compared to HK$6,434,025,000 in last year. A breakdown of revenue of the Group for the year ended 31 December 2023 is set out as follows:

	2023		2022		
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue	Increase/ (Decrease)
	HK$'000	*%*	*HK$'000*	*%*	*%*
Intravenous infusion solution and others	**6,301,380**	**97.5**	6,261,906	97.3	0.6
(Including: Non-PVC soft bag & upright soft bag infusion solution	**2,975,403**	**46.0**	2,436,412	37.9	22.1
PP plastic bottle infusion solution	**827,264**	**12.8**	839,750	13.0	(1.5)
Glass bottle infusion solution	**238,076**	**3.7**	234,180	3.7	1.7
Ampoule injection	**826,103**	**12.8**	978,707	15.2	(15.6)
Bulk pharmaceuticals	**888,867**	**13.8**	1,358,949	21.1	(34.6)
Oral preparations	**478,195**	**7.4**	346,058	5.4	38.2
Others)	**67,472**	**1.0**	67,850	1.0	(0.6)
Medical materials	**161,629**	**2.5**	172,119	2.7	(6.1)
Total	**6,463,009**	**100**	6,434,025	100	0.5

In 2023, the Group has embraced the new deployment of the dual circulation of domestic and international markets, improved quality of business growth, and showcased the advantages of the integration model of "raw materials + preparations". During the year, the Group focused on sustaining the stable development of its flagship product, the intravenous infusion solution business, while focusing on the higher sales proportion of high-value-added products and making significant progress in the solid preparations business segment. Despite challenges such as low prices of bulk pharmaceuticals and medical materials, and insufficient domestic and overseas demand, the Group overcame these constraints and speeded up its breakthrough.

The Group leveraged on market access opportunities such as National Centralised Medicines Procurement, successive volume-based procurement, and volume-based procurement by provinces and municipalities, as well as individual volume-based procurement by provinces and municipalities. In the eighth round of National Centralised Medicines Procurement in 2023, the Group participated the tenders and have been awarded the tenders for all 5 product types with 7 specifications, namely Ornidazole Injection (3ml:0.5g; 6ml:1g), Felodipine Sustained-release Tablets (5mg), Mecobalamin Injection (1ml:0.5mg), Metronidazole Sodium Chloride Injection (100ml:0.5g; 250ml:1.25g) and Argatroban Injection (2ml:10mg). In the ninth round of National Centralised Medicines Procurement, all 4 product types with 5 specifications have been awarded the tenders, namely Azithromycin Dry Suspension (0.1g), Urapidil Hydrochlorides Injection (5ml:25mg; 10ml:50mg), Tedizolid Phosphate for Injection (200mg), and Citicoline Sodium Injection (4ml:0.5g). A total of 17 product types with 23 specifications of the Group have been awarded in the National Centralised Medicines Procurement tenders. In 2023, a total of 9 products, including Azithromycin tablets, Moxifloxacin Hydrochloride tablets, Prucalopride Succinate tablets, Pitavastatin Calcium tablets, Tinidazole tablets, Medium/Long Chain Fat Emulsion Injection (C8~24Ve), Fluconazole and Sodium Chloride Injection, Linezolid & Glucose Injection, and Cefdinir Capsules, were up for renewal in the National Centralised Medicines Procurement tenders. The sales volume of products in National Centralised Medicines Procurement and successive procurement amounted to approximately HK$936 million in 2023, representing an increase of approximately 70% as compared to last year. Meanwhile, market joint development throughout the nation has achieved progress. For new product types passing consistency evaluations, 3 product types have completed market access for 30 provinces, namely Lacosamide Injection, Peritoneal Dialysis Solution products, and Terbutaline Sulfate Injection, while 12 product types have completed market access for more than 20 provinces, namely Ciprofloxacin Lactate and Sodium Chloride Injection (200ml), Thioctic Acid Injection, Urapidil Hydrochloride Injection, Citicoline Sodium Injection, Supplement Electrolyte Drugs Compound Electrolyte Injection (II) (500ml), Pentoxifylline Sustained-release Tablets, Cinacalcet Hydrochloride tablets, and Tedizolid phosphate tablets, which laid a solid foundation for further transformation, upgrading, and empowering high-quality development.

The Group has further solidified the leading position of the intravenous infusion solution business in the market. In 2023, the infusion solution of the Group achieved an aggregate sales volume reaching approximately 1,910 million bottles (bags), representing an increase of 21% as compared to last year and a revenue of HK$4,041 million, representing an increase of 15% as compared to last year, with the domestic and international markets being developed together. The product mix was improved, and the sales volume of key therapeutic products amounted to approximately 362 million bottles (bags), representing an increase of approximately 25% as compared to last year. Among which, sales volume of Ambroxol Hydrochloride and Sodium Chloride Injection reached approximately 47.55 million bottles (bags), representing an increase of approximately 215% as compared to last year; sales volume of Moxifloxacin Hydrochloride reached approximately 17.19 million bags, representing an increase of approximately 233% as compared to last year; sales volume of

Levofloxacin & Sodium Chloride Injection reached approximately 8.29 million bags, representing an increase of approximately 295% as compared to last year; sales volume of Peritoneal Dialysis Solution products reached approximately 4.72 million bags, representing an increase of approximately 24% as compared to last year.

Ampoule injections products have market expansion, with an aggregate sales volume reaching approximately 310 million, representing an increase of approximately 84% as compared to last year, which maintained a relatively fast growth momentum. Among which, sales volume of Ambroxol Hydrochloride and Sodium Chloride Injection reached approximately 110 million, representing an increase of approximately 243% as compared to last year; sales volume of Bromhexine Hydrochloride Injection reached approximately 34.17 million, representing an increase of approximately 98% as compared to last year; sales volume of Doxofylline Injection reached approximately 20.21 million, representing an increase of approximately 55% as compared to last year. In 2023, Ornidazole Injection, Mecobalamin Injection, Argatroban Injection, Urapidil Hydrochloride Injection, Tedizolid Phosphate for Injection and Citicoline Sodium Injection have been awarded the tenders for the eighth round or the ninth round of National Centralised Medicines Procurement as a catalyst for the Group to make breakthroughs in the scale of Ampoule and lyophilized powder products operation.

The Group experienced accelerated growth in the production and sales scale of its oral preparations business segment. Through 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 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, so as to continue to strengthen and optimise oral preparations products. The Group's revenue of oral preparations have consistently increased year-on-year, and reached to approximately HK$478 million in 2023, representing an increase of approximately 38% as compared to last year. Among which, sales volume of Cefaclor for Suspension reached approximately 69.06 million bags, representing an increase of approximately 56% as compared to last year; sales volume of Rosuvastatin Calcium tablets reached approximately 65.06 million, representing an increase of approximately 57% as compared to last year; sales volume of Azithromycin dispersible tablets reached approximately 83.77 million, representing an increase of approximately 62% as compared to last year.

In 2023, the bulk pharmaceuticals business segment was limited by numerous factors such as weak market demand and declining product prices, which led to a decrease in sales of bulk pharmaceuticals to approximately HK$889 million, representing a decrease of 35% as compared to last year. Among which, the international market demand for caffeine weakened, with an annual sales volume of approximately 3,799 tons, including an international sales volume of approximately 3,459 tons, representing a decrease of approximately 28% as compared to last year, and a domestic sales volume of approximately 340 tons, representing an increase of approximately 86% as compared to last year. External sales volume of Theophylline and Aminophylline reached approximately 451 tons, representing an increase of approximately 16% as compared to last year; external sales volume of Metronidazole reached approximately 286 tons, representing an increase of approximately 7% as compared to last year; and external sales volume of Azithromycin reached approximately 300 tons, representing an increase of 46% as compared to last year, among which, the export sales volume was approximately 218 tons, representing an increase of approximately 59% as compared to last year. It is anticipated that the bulk pharmaceuticals business segment will bounce back in 2024 and experience a restorative growth.

Production and sales of medical materials have remained stable. Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best New Medical Material") continued to enhance its innovation capability and extended efforts to update its product technology and continued to expand its market shares of key medical materials products including butyl rubber stoppers, gaskets and multi-layer co-extrusion films. Meanwhile, it continued to step up efforts in the research and development of and marketing promotion for high-end and high-quality medical (pharmaceutical) packaging materials with special application scenarios and industry foresight, strengthened the complementarity between its key products and the industrial chain, and proactively enhanced the partnerships with a number of large pharmaceutical enterprises, increasing its products' market penetration and coverage. The introduction of new products such as the brominated isobutylene-isoprene rubber combination seal for pen injectors, X13B insulin gaskets, high-breathing cell culture bag films, and stem cell cryopreservation bag films has realised the sales and emerged as a new highlight in the operations. In 2023, Jiangsu Best New Medical Material achieved external sales of HK$162 million (equivalent to approximately RMB146 million), representing a decrease of approximately 6% as compared to 2022 (relatively stable as last year in terms of RMB).

With an increase in exports of its preparations across the board, our foreign business of preparations is further consolidated and expanded. The African market, a key export region, experienced a significant surge. In 2023, the exports of preparations across the board achieved a volume of infusion solutions of approximately 106 million bottles (bags), representing an increase of approximately 6% as compared to last year, while the revenue of exported infusion solutions amounted to approximately HK$163 million, representing an increase of approximately 10% as compared to last year. Meanwhile, the Group developed 21 new customers, and completed 47 product registrations across 15 countries, including the Philippines, Uruguay, and Venezuela. To date, the Group has accumulated 388 product registration certificates in nearly a hundred countries, and has passed official audits in dozens of countries, including Pakistan, Madagascar, Sudan, the Philippines, Cote d'Ivoire, Peru, Tanzania, Kenya and Cameroon.

(2) Research and Development of New Products

The Group has top priority in realising high-quality development and in increasing quality and efficiency by focusing on the research, development and launch of key drugs such as featured generic drugs, drugs in shortage, orphan drugs and innovative drugs through establishing an innovation mechanism that integrates "industry, academia, research and application", positioning itself at the forefront of the industry and aligning with market demands. The Group has achieved new aspects in the development of featured generic drugs, high-end complex preparations, bulk pharmaceuticals, innovative drugs, improved new drugs, bulk pharmaceuticals, medical materials and biological products, and have empowered the Group's transformation and improvement. During this period, the Group received various recognitions, including the "Best Industrial Enterprise for Pharmaceutical R&D Product Line in China" and the "Innovative Pharmaceutical Enterprise in China". During the production of the Group's flagship product, infusion preparations, the Group have explored and established the "Experience in ensuring the quality and safety of pharmaceutical products based on parametric release under the '21235' risk management and control model", which was selected as a national quality benchmark for 2023, making the Group the only pharmaceutical manufacturer in China to receive this prestigious honour.

With promising outcomes from its research and development, the Group accelerated the deployment in the areas of anti-virus, anti-infection, respiratory system, neurological system, cardio-cerebrovascular, gastrointestinal, anaesthesia, and anti-tumor products. In 2023, the Group obtained 86 production approvals (including supplemental applications) with 72 for preparations and 14 for bulk pharmaceuticals. Among which, the approvals obtained for Pentoxifylline Sustained-release Tablets (0.4g) for cerebral and peripheral blood circulation disorder and Stiripentol for Suspension (500mg and 250mg) for the treatment of severe myocardial fibrosis epilepsy of infants (orphan drug for children) were the first and exclusive one in China, and approvals obtained for Sorbitol and Mannitol Irrigation Solution (3000ml), Sodium Lactated Ringer Injection (500ml), Thioctic Acid Injection (24ml:600mg), Salbutamol Sulfate Injection (1ml:0.5mg), Ondansetron Hydrochloride Tablets (8mg and 4mg) were the second one in China. The first high-end complex preparation Alprostadil Injection obtained the first and only clinical approval. Throughout the year, the Group submitted 110 projects for product approval (including supplemental applications), of which 89 were new liquid and solid preparations as well as 21 were bulk pharmaceuticals. The continuous enrichment of product lines of injections, solid preparations and bulk pharmaceuticals has been prominently leading the Group's industrial upgrading.

The Group has achieved significant progress in the research of innovative drugs. The supplementary application for the clinical trial of NP-01 tablets, a Type I new drug, with three new specifications, has been approved. Currently, the Phase I clinical trial of NP-01 tablets is underway, demonstrating its good safety and tolerability, with positive therapeutic signals that have been observed in some patients, leading to the plan of fast-tracking the Phase II clinical trial. In January 2024, the application for the Phase I clinical trial for SYN-045, another Type I new drug, was approved. Pre-clinical studies on SYN-045 have shown high target-specific selectivity, obvious anti-pulmonary hypertension effects on animals, and low toxicity. These findings are promising for the potential of long-term oral administration. As ADN-9, an innovative Type I anti-liver fibrosis drug, has completed its pre-clinical study, the Group aims to apply for Phase I clinical trials for ADN-9 as soon as possible. In the field of diabetic nephropathy, lead compounds with good activity have been discovered and pre-clinical evaluations and studies on the efficacy of the drug are underway.

Significant breakthroughs have been achieved in the Group's research of complex preparations. The development of solid preparations has formed a technology platform for slow-release and osmotic pumps, leading to the development of a number of preparations with high technical requirements and high industrialisation threshold. The Group has obtained the approvals for production of various products such as Felodipine Sustained-release Tablets, Pentoxifylline Sustained-release Tablets, and Nifedipine Sustained-release Tablets. The Group has also applied for the approvals of Levodopa-Carbidopa Sustained-release Tablets, Amlodipine Besylate Tablets, Entacapone, Levodopa and Carbidopa Tablets, and Tofacitinib Citrate Sustained-release Tablets, from the National Medical Products Administration. For liquid preparations, the Group has established a therapeutic emulsion technology platform and a liposome technology platform. The Group obtained the approval for its first fat emulsion ampoule injection project, namely Propofol Medium and Long Chain Fat Emulsion Injection, in February 2024. The Etomidate Medium and Long Chain Fat Emulsion Injection has been applied for approval, while the Fat-soluble Vitamin Injection and Progesterone Injection has completed the development, and applications for their approval have also been submitted. The completion of laboratory scale-up studies for Doxorubicin Hydrochloride Liposome Injection and the upcoming commencement of clinical studies in 2024 signified a breakthrough in the liposome project. Meanwhile, the Group is actively developing various liposome projects in the areas of anti-tumor and mental diseases, conducting research on several complex preparations, including sustained-release microspheres, microcrystals, and long-acting injections. These endeavors highlighted the Group's growing technological influence in the field of complex preparations.

The Group has maintained a leading position in the consistency evaluation of generic drugs among domestic peer enterprises. During the year, the Group obtained 9 approvals for consistency evaluation and accumulated 86 approvals for various products. Among them, 5 specifications, including Multiple Electrolytes Injection II (1000ml), Pentoxifylline Sustained-release Tablets (0.4g), Peritoneal Dialysis Solution (Lactate-G2.5%), and Stiripentol for Suspension (250mg and 500mg), have become the first in the industry to pass the consistency evaluation. By the end of 2023, the number of the Group's products that have passed the consistency evaluation or been regarded as passing the consistency evaluation reached 68 types with 88 specifications, which has provided favorable conditions for optimizing product mix and participating in market competition.

In parallel, the Group has made significant efforts to promote the protection of intellectual property rights. In 2023, the Group applied for 70 patents and obtained 43 authorisations. To date, the Group has applied for a total of 452 patents and obtained 306 authorisations. Currently, the Group owns 288 valid patents, including 153 invention patents.

Innovation platform and talent cultivation have yielded new achievements as the Group remains committed to sustainable development. The Group has actively explored new modes of cooperation for cultivating high-level applied talents. During the year, strategic cooperation agreements were signed between the Group and esteemed institutions such as Lanzhou University, Hebei Normal University, Shenyang Pharmaceutical University, and Hebei University of Science and Technology. These collaborations aim to enhance the cultivation of high-level talents and elevate research, development, and industrialisation efforts in the field of high-end preparations to new heights.

(3) Development of Projects

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

During the year, the Group coordinated the progress of various production infrastructure projects, including the upright soft bag infusion solution production lines, plastic ampoule production lines, and anti-infection oral preparation production lines, and of the construction of its new and extending projects including the new preparation products and the biopharmaceutical industrial park of Hebei Guolong Pharmaceutical Co., Ltd. ("Guolong Pharmaceutical") which is the provincial and municipal-level key project. The in-progress, extended, and newly completed technological reform projects were executed in an organised manner. Notably, the new smart upright soft bag infusion solution production workshops passed the GMP compliance inspection in December 2023, and has been officially put into production. This addition of production capacity of 600 million bags per year enables the Group to meet market demand promptly.

(4) Capital Operation

In accordance with the development pattern of the capital market, the Group has been promoting the listing of its medical materials and bulk pharmaceuticals segments. Jiangsu Best New Medical Material has obtained the tutoring filing from the Jiangsu Securities Regulatory Bureau, and is proactively working towards the transfer of listings in accordance with the Group's strategic plan. Meanwhile, the bulk pharmaceuticals segment project is carrying on orderly in accordance with the intermediary organisation's work plan. The Group has entered into a new stage of integrated development in both the product market and the capital market.

III. PROSPECTS FOR DEVELOPMENT

Looking ahead to 2024, facing new trends and new environment of the pharmaceutical industry, the Group will continue to promote in-depth integration of innovative chain, industrial chain and value chain, cultivate and strengthen productivity based on scientific and technological innovation, facilitate the dual circulation of domestic and international markets, maintain a relatively robust development momentum, and strive for better and more solid business results.

1. On the preparations business, the Group will improve quality and efficiency as the core drivers to accelerate the optimisation and upgrading of the production and sales mix and to increase the market share in terms of sales, aiming to transforming its innovation advantage into a market advantage. In 2024, the Group will conduct in-depth and comprehensive research and analysis of the national and local procurement policies to ensure precise market access, capitalise on the influence and driving effects of the volume-based procurement, and expand the proportion of high-value-added products in terms of production and sales.

   The Group will further expand its market share of basic therapeutic infusion in hospitals of different tiers, and focus on increasing the sales volume of key infusion products, including Ambroxol, Tinidazole, Fluconazole, Ciprofloxacin, and Moxifloxacin. The Group aims to consolidate its market share of key infusion products including Metronidazole, Mannitol, and Peritoneal Dialysis Solution. Moreover, the Group will proactively develop the market of newly introduced products such as Propofol Medium and Long Chain Fat Emulsion, Phloroglucinol Injection, Adrenaline Injection, Aminophylline Injection, and other newly-approved varieties, ensuring continuous growth in infusion production and sales.

   The Group will further expand and strengthen its ampoule injection business, explore the market potential of dominant products, and step up effort to increase sales of new ampoule products. The Group will explore the market potential of major types of products such as Bromhexine and Doxofylline, aiming to increase the proportion of ampoule products in sales.

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, accelerate the implementation and translation of new products with high added value, and continue to empower development of bulk pharmaceuticals with resilience and vitality.

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". Currently, the Group focuses on complex preparations and specialised generic drugs in the research and development. The Group will leverage on the cooperation mechanism with universities and scientific research institutes and talent recruitment mechanism to explore more high-quality research projects, so as to continuously elevate our level on research and development, and create our new advantages in the efficiency of research and development approvals and submissions. In 2024, the Group will strive to obtain 82 various national production approvals, including 38 for liquid preparations, 23 for solid preparations and 21 for bulk pharmaceuticals, with a view to continuously empowering enterprises in ascending to 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. In 2024, the Group will accelerate the layout of a number of new construction of infrastructure projects, including production lines for PP bottles injections with an annual capacity of 600 million bottles, ready-made double-chamber bags of infusion with an annual capacity of 15 million bags, and sterile preparations of hormones with an annual capacity of 200 million units. These projects have high market potential, good development prospects, strong driving capacity and effective promotion of iterative product development, and will bring the total production capacity of infusion solutions to exceed 3 billion bottles (bags), creating a new impetus and new room for the Group to accelerate its transformation and upgrade. The Group will adhere to the concept of high-standard design and construction, set the "lighthouse factory" as its goal, base on a high positioning and aim at international standards to push forward the progress of construction-in-progress and new construction projects to ensure early completion, early commencement of production and early achievement of results. This will continue to build up the momentum and level for the high-quality development of the Group.

We firmly believe that with our advantages in scale, quality, management and branding built up in the industry over the years, and with our continuous innovative momentum, we will bring satisfactory returns to our investors with stronger development results.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	**2023**	2022
		HK$'000	*HK$'000*
Revenue	*3*	**6,463,009**	6,434,025
Cost of sales		**(2,843,370)**	(2,866,439)
Gross profit		**3,619,639**	3,567,586
Other income		**148,762**	65,176
Selling and distribution costs		**(1,532,591)**	(1,660,247)
General and administrative expenses		**(308,321)**	(284,832)
Research and development costs		**(289,748)**	(259,104)
Reversal of/(provision for) impairment loss on trade and other receivables		**1,160**	(4,866)
Profit from operations		**1,638,901**	1,423,713
Finance income		**39,471**	49,900
Finance costs		**(125,413)**	(88,250)
Finance costs – net	*4(a)*	**(85,942)**	(38,350)
Share of profit of an associate		**30,610**	13,789
Profit before taxation	*4*	**1,583,569**	1,399,152
Income tax	*5*	**(254,281)**	(209,602)
Profit for the year		**1,329,288**	1,189,550
Other comprehensive income for the year, net of nil tax			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**(126,947)**	(685,655)
Other comprehensive income for the year		**(126,947)**	(685,655)
Total comprehensive income for the year		**1,202,341**	503,895

	Note	2023 *HK$'000*	2022 *HK$'000*
Profit attributable to:			
Equity shareholders of the Company		**1,318,616**	1,122,837
Non-controlling interests		**10,672**	66,713
Profit for the year		**1,329,288**	1,189,550
Total comprehensive income attributable to:			
Equity shareholders of the Company		**1,196,504**	463,488
Non-controlling interests		**5,837**	40,407
Total comprehensive income for the year		**1,202,341**	503,895
Earnings per share			
– Basic	*6(a)*	**HK$0.4441**	HK$0.3761
– Diluted	*6(b)*	**HK$0.4426**	HK$0.3761

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	**31 December 2023 HK$'000**	31 December 2022 HK$'000
Non-current assets			
Property, plant and equipment		**4,667,750**	4,214,219
Right-of-use assets		**385,362**	302,627
Intangible assets		**1,157,425**	1,039,133
Interests in an associate		**422,681**	408,306
Deferred tax assets		**37,880**	27,799
Pledged bank deposits and fixed deposits		**171,121**	89,976
		6,842,219	6,082,060
Current assets			
Inventories		**1,086,282**	810,656
Trade and bills receivables	*7*	**2,177,050**	2,112,680
Prepayments, deposits and other receivables		**199,117**	202,756
Pledged bank deposits and time deposits		**46,460**	90,813
Cash and cash equivalents		**1,615,208**	1,667,547
		5,124,117	4,884,452
Current liabilities			
Borrowings		**1,420,573**	1,646,082
Trade and bills payables	*8*	**407,929**	361,063
Contract liabilities		**70,378**	81,727
Lease liabilities		**2,188**	1,801
Accruals and other payables		**543,211**	530,652
Income tax payable		**77,161**	56,561
		2,521,440	2,677,886
Net current assets		**2,602,677**	2,206,566
Total assets less current liabilities		**9,444,896**	8,288,626

	Note	**31 December 2023** *HK$'000*	31 December 2022 *HK$'000*
Non-current liabilities			
Borrowings		**1,947,568**	1,561,566
Lease liabilities		**3,759**	–
Deferred tax liabilities		**21,163**	20,846
Deferred revenue		**203,714**	160,390
		2,176,204	1,742,802
NET ASSETS		**7,268,692**	6,545,824
CAPITAL AND RESERVES	*9*		
Share capital		**66,188**	66,285
Reserves		**6,866,346**	6,147,315
Total equity attributable to equity shareholders of the Company		**6,932,534**	6,213,600
Non-controlling interests		**336,158**	332,224
TOTAL EQUITY		**7,268,692**	6,545,824

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Changes in accounting policies

(i) New and amended HKFRSs

The Group has applied the following new and amended to HKFRSs issued by the HKICPA to these financial statements 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 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- 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*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

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. The policy does not have a material impact on the Group's financial statements.

2. Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines 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 reportable segments.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Unallocated assets mainly comprise corporate cash. Segment liabilities include operating liabilities. Unallocated liabilities mainly comprise corporate borrowings.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit from operations.

Disaggregation of revenue from contracts with customers by the 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 years ended 31 December 2023 and 2022 is set out below.

	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	**6,295,630**	**161,513**	**–**	**6,457,143**
Over time	**5,750**	**116**	**–**	**5,866**
Revenue from external customers	**6,301,380**	**161,629**	**–**	**6,463,009**
Inter-segment revenue	**–**	**225,824**	**–**	**225,824**
Reportable segment revenue	**6,301,380**	**387,453**	**–**	**6,688,833**
Operating profit or loss/segment results	**1,641,613**	**17,651**	**(20,363)**	**1,638,901**
Finance income	**34,677**	**605**	**4,189**	**39,471**
Finance costs	**(64,427)**	**–**	**(60,986)**	**(125,413)**
Share of profit of an associate	**30,610**	**–**	**–**	**30,610**
Profit/(loss) before taxation	**1,642,473**	**18,256**	**(77,160)**	**1,583,569**
Income tax	**(247,585)**	**(6,696)**	**–**	**(254,281)**
Reportable segment profit/(loss) for the year	**1,394,888**	**11,560**	**(77,160)**	**1,329,288**
Depreciation and amortisation for the year	**383,086**	**20,108**	**2,380**	**405,574**
Reversal of impairment of receivables	**(577)**	**(583)**	**–**	**(1,160)**
Impairment and write-off of internally generated capitalised development costs	**10,617**	**–**	**–**	**10,617**
Total assets/reportable segment assets (including interests in an associate)	**11,323,223**	**522,535**	**120,578**	**11,966,336**
Additions to non-current assets	**1,160,123**	**38,537**	**6,583**	**1,205,243**
Total liabilities/reportable segment liabilities	**3,596,223**	**48,040**	**1,053,381**	**4,697,644**

	2022			
	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	6,254,563	171,885	–	6,426,448
Over time	7,343	234	–	7,577
Revenue from external customers	6,261,906	172,119	–	6,434,025
Inter-segment revenue	3,476	178,719	–	182,195
Reportable segment revenue	6,265,382	350,838	–	6,616,220
Operating profit or loss/segment results	1,436,181	14,222	(26,690)	1,423,713
Finance income	48,848	236	816	49,900
Finance costs	(59,907)	–	(28,343)	(88,250)
Share of profit of an associate	13,789	–	–	13,789
Profit/(loss) before taxation	1,438,911	14,458	(54,217)	1,399,152
Income tax	(207,138)	(2,464)	–	(209,602)
Reportable segment profit/(loss) for the year	1,231,773	11,994	(54,217)	1,189,550
Depreciation and amortisation for the year	352,835	14,865	2,942	370,642
Provision for impairment of receivables	4,468	398	–	4,866
Impairment and write-off of internally generated capitalised development costs	3,933	–	–	3,933
Total assets/reportable segment assets (including interests in an associate)	10,355,222	441,541	169,749	10,966,512
Additions to non-current assets	1,130,326	55,449	20	1,185,795
Total liabilities/reportable segment liabilities	3,339,426	54,994	1,026,268	4,420,688

3. Revenue

The Group derives revenue principally from the sale of a wide range of pharmaceutical products, which includes finished medicines of mainly intravenous infusion solution and ampoule injection, bulk pharmaceutical products and medical materials.

(i) Disaggregation of revenue

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

	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	**6,258,527**	6,206,967
– Sales of medical materials	**158,745**	167,144
– Services income	**13,848**	29,286
– Sales of raw materials and by-products	**31,773**	30,394
	6,462,893	6,433,791
Revenue from other source		
– Rental income	**116**	234
	6,463,009	6,434,025
Disaggregated by geographical location of customers		
– The PRC (place of domicile)	**5,823,051**	5,542,246
– Other countries	**639,958**	891,779
	6,463,009	6,434,025

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 2.

The directors have determined that no geographical segment information of specified non-current assets is presented as over 95% (2022: 95%) of the non-current assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

For the year ended 31 December 2023, no customer with whom transactions have exceeded 10% of the Group's revenue.

4. Profit before taxation

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

(a) Finance income and costs

	2023	2022
	HK$'000	*HK$'000*
Finance income:		
– Interest income on bank deposits	**(33,924)**	(29,199)
– Net foreign exchange gain	**(5,547)**	(20,701)
Finance income	**(39,471)**	(49,900)
Finance costs:		
– Interest expense of borrowings	**125,165**	90,784
– Interest on lease liabilities	**248**	121
	125,413	90,905
Less: Interest expense capitalised into qualifying assets*	**–**	(2,655)
Finance costs	**125,413**	88,250
Finance costs – net	**85,942**	38,350

* During the year ended 31 December 2023, no borrowing costs have been capitalised. During the year ended 31 December 2022, the borrowing costs have been capitalised at a rate of 3.29% per annum.

(b) Staff costs

	2023	2022
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plan	**55,813**	53,315
Salaries, wages and other benefits	**661,218**	615,092
	717,031	668,407

(c) *Other items*

	2023	2022
	HK$'000	*HK$'000*
Research and development costs	**471,076**	473,060
Less: Costs capitalised into intangible assets	**(181,328)**	(213,956)
	289,748	259,104
Amortisation#		
– intangible assets	**43,614**	26,038
Less: Amount capitalised as development costs	**(66)**	(413)
	43,548	25,625
Depreciation charges#		
– owned property, plant and equipment	**365,096**	345,758
– right-of-use assets	**10,673**	10,808
Less: Amount capitalised as property, plant and equipment and development costs	**(13,743)**	(11,549)
	362,026	345,017
(Reversal of)/provision for impairment losses		
– trade receivables	**(1,211)**	4,905
– other receivables	**51**	(39)
Auditors' remuneration – audit services	**2,996**	3,245
Cost of inventories#	**2,878,283**	2,872,721
Other expenses		
– transportation expenses	**344,826**	392,709
– utility expenses	**462,144**	461,959
– advertising expenses	**259,116**	262,014
– marketing and promotion service expenses	**758,138**	864,098
– travelling, meeting and entertainment expenses	**72,420**	68,112
– surcharges and other tax expenses	**67,124**	71,984

Cost of inventories includes HK$640,886,000 (2022: HK$619,176,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5. Income tax

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2023	2022
	HK$'000	*HK$'000*
Current tax – the PRC Corporate Income Tax ("CIT")	**264,184**	213,172
Deferred tax – origination and reversal of temporary differences	**(9,903)**	(3,570)
	254,281	209,602

The Company is incorporated in the Cayman Islands as an exempted company and, accordingly, is exempted from payment of the Cayman Islands income tax.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2023 and 2022 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

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 2021, 2023, 2023, 2022 and 2023, respectively. According to the tax incentives rules of the CIT Law of the PRC (the "CIT Law") for HNTE, these entities are subject to a reduced corporate 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.

According to the PRC income tax law and its relevant regulations issued in 2022, entities that qualified as HNTE are entitled to an additional 100% of qualified equipment newly purchased from 1 October 2022 to 31 December 2022, which 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.

(b) ***Reconciliation between tax expense and accounting profit at applicable tax rates:***

	2023	2022
	HK$'000	*HK$'000*
Profit before taxation	**1,583,569**	1,399,152
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**401,989**	337,352
Effect of the PRC preferential tax rates	**(161,980)**	(126,714)
Effect of non-deductible expenses	**17,400**	12,077
Additional deduction of research and development expenditures	**(36,324)**	(36,462)
Withholding tax on profit distributions	**32,914**	36,076
Additional deduction of qualified equipment procurement	**–**	(9,796)
Others	**282**	(2,931)
Actual tax expense	**254,281**	209,602

6. Earnings per share

(a) ***Basic earnings per share***

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,318,616,000 (2022: HK$1,122,837,000) and the weighted average of 2,969,386,000 ordinary shares (2022: 2,985,389,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
	'000	*'000*
Issued ordinary shares at 1 January	**2,972,683**	2,996,689
Effect of purchase and cancellation of own shares	**(3,297)**	(11,300)
Weighted average number of ordinary shares at 31 December	**2,969,386**	2,985,389

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$1,318,616,000 (2022: HK$1,122,837,000) and the weighted average of 2,978,999,000 ordinary shares (2022: 2,985,389,000 ordinary shares) after adjusting the effect of dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2023	2022
	'000	*'000*
Weighted average number of ordinary shares at 31 December (basic)	**2,969,386**	2,985,389
Effect of deemed issue of shares under the Company's share option scheme	**9,613**	–
Weighted average number of ordinary shares at 31 December (diluted)	**2,978,999**	2,985,389

The effect of outstanding share options issued by the Company is anti-dilutive for the year ended 31 December 2022, therefore is not included in the calculation of diluted earnings per share of the Company for that year.

7. Trade and bills receivables

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**1,987,818**	1,935,070
Bills receivable	**201,961**	191,746
	2,189,779	2,126,816
Less: Loss allowance	**(12,729)**	(14,136)
	2,177,050	2,112,680

All of the trade and bills receivables are expected to be recovered within one year.

Bills receivable represent short-term bank acceptance notes 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 31 December 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 six 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 31 December 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 HK$612 million (31 December 2022: HK$516 million).

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**2,187,785**	2,118,698
1 to 2 years	**1,541**	5,483
More than 2 years	**453**	2,635
	2,189,779	2,126,816

8. Trade and bills payables

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**320,548**	311,032
4 to 6 months	**73,022**	41,673
7 to 12 months	**8,896**	5,196
More than 1 year	**5,463**	3,162
	407,929	361,063

9. Dividends and share capital

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2023	2022
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK7.0 cents per ordinary share (2022: HK6.0 cents per ordinary share)	**207,903**	179,043
Final dividend proposed after the end of the reporting period of HK10.0 cents per ordinary share (2022: HK8.0 cents per ordinary share)	**296,904**	237,604
	504,807	416,647

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

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023	2022
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK8.0 cents per share (2022: HK7.0 cents per share)	**237,604**	209,073

(b) Share capital

Issued share capital

	2023		2022	
	No. of shares ***('000)***	***HK$'000***	No. of shares *('000)*	*HK$'000*
Ordinary shares of HK$0.02 each, issued and fully paid:				
At 1 January	**2,973,883**	**66,285**	2,996,689	66,741
Repurchase and cancellation of own shares	**(4,840)**	**(97)**	(22,806)	(456)
	2,969,043	**66,188**	2,973,883	66,285

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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 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 year ended 31 December 2023, the review on the Group's business performance and financial performance are contained in the Chairman's statement under section headed "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 "PROSPECTS FOR DEVELOPMENT".

FINANCIAL PERFORMANCE REVIEW

Revenue

The Group's intravenous infusion solution 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 solution 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. ("Hebei Guolong"), Hebei Guangxiang Pharmaceutical Co., Ltd. ("Hebei Guangxiang") 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 4.3% when translated into Hong Kong dollars ("HK$") for the year ended 31 December 2023 as compared with last year on average. Nevertheless, as contributed by growth in intravenous infusion solution business and oral preparations business, in terms of HK$, revenue of the Group increased to HK$6,463,009,000 for the year ended 31 December 2023 (2022: HK$6,434,025,000), representing an increase of 0.5% on a year-to-year basis. Among which, revenue from intravenous infusion solution accounted for HK$4,040,743,000 (2022: HK$3,510,342,000), representing an increase of 15.1% on a year-to-year basis mainly due to sales volume growth. Among which, revenue from Non-PVC Soft Bag and Upright Soft Bag infusion solution were HK$2,094,847,000 and HK$880,556,000 respectively, totalling HK$2,975,403,000, representing 73.6% of the total revenue from intravenous infusion solution and an increase of 22.1% as compared with last year; revenue from PP Plastic Bottle infusion solution was HK$827,264,000, representing 20.5% of the total revenue from intravenous infusion solution and a decrease of 1.5% as compared with last year; revenue from Glass Bottle infusion solution was HK$238,076,000, representing 5.9% of the total revenue from intravenous infusion solution and an increase of 1.7% as compared with last year.

For the year ended 31 December 2023, revenue from ampoule injections accounted for HK$826,103,000 (2022: HK$978,707,000). Despite of an overall increase in sales volume of ampoule products, revenue dropped by 15.6% as compared with last year mainly due to a change in product mix with more products sold through centralised procurement. Revenue from bulk pharmaceuticals accounted for HK$888,867,000 (2022: HK$1,358,949,000), representing a decrease of 34.6% as compared with 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$478,195,000 (2022: HK$346,058,000), representing a growth of 38.2% as compared to last year which was contributed by new products such as Blonanserin Tablets, Azithromycin 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$161,629,000 (2022: HK$172,119,000) to the Group, representing a decrease of 6.1% as compared with last year. Excluding the impact of RMB translation into HK$, external sales of medical materials products remained relatively stable.

Cost of Sales

The Group has been adopting various cost control measures such as production process optimization, equipment modification and energy conservation. For the year ended 31 December 2023, the Group's cost of sales decreased slightly by 0.8% to HK$2,843,370,000 as compared to last year of HK$2,866,439,000. The cost of direct materials, direct labour and other costs represented approximately 59.7%, 13.8% and 26.5% of the total cost of sales respectively for the year ended 31 December 2023 while their comparative percentages for 2022 were 60.5%,12.7% and 26.8% respectively.

Gross Profit Margin

For the year ended 31 December 2023, the Group recorded a total gross profit of HK$3,619,639,000 (2022: HK$3,567,586,000). As compared with 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, for the year ended 31 December 2023, overall gross profit margin increased by 0.6 percentage point to 56.0% from 55.4% of last year.

Other Net Income

For the year ended 31 December 2023, the Group's other net income increased to HK$148,762,000 (2022: HK$65,176,000) which mainly represented government grants.

Selling and Distribution Costs

For the year ended 31 December 2023, selling and distribution costs amounted to approximately HK$1,532,591,000 (2022: HK$1,660,247,000), which was mainly consisted of advertising, marketing and promotion expenses of approximately HK$1,017,254,000 (2022: HK$1,121,283,000), transportation cost of approximately HK$338,154,000 (2022: HK$364,377,000) as well as salary expenses for sales and marketing staff of approximately HK$93,963,000 (2022: HK$84,699,000).

Selling and distribution costs decreased by 7.7% for the year ended 31 December 2023 as compared with last year. A higher proportion of finished medicines were sold through centralised procurement which resulted in a drop in advertising, marketing and promotion expenses from last year.

General and Administrative Expenses

For the year ended 31 December 2023, general and administrative expenses was approximately HK$308,321,000 (2022: HK$284,832,000) which mainly comprised salaries expenses for administrative staff of approximately HK$122,424,000 (2022: HK$114,052,000), depreciation and amortisation (other than research and development) expenses of approximately HK$94,867,000 (2022: HK$95,284,000) as well as utility expenses of approximately HK$18,972,000 (2022: HK$12,146,000).

The Group had an overall expansion in business with an increased number of administrative staff and the relevant utility expense as compared to last year. As a result, there was an increase of 8.2% in general and administrative expense for the year ended 31 December 2023 as compared with last year.

Research and Development Costs

For the year ended 31 December 2023, research and development ("R&D") costs amounted to approximately HK$289,748,000 (2022: HK$259,104,000), which comprised salaries expenses for R&D staff of approximately HK$108,080,000 (2022: HK$104,450,000), depreciation and amortisation expenses of approximately HK$35,593,000 (2022: HK$32,753,000) as well as other costs (such as raw materials and consumables) directly expensed of approximately HK$146,075,000 (2022: HK$121,901,000).

Research and development cost increased by 11.8% for the year ended 31 December 2023 as compared with last year. Undergoing the process of enterprise transformation and product diversification, the Group expanded and expedited the research and development of its new products in finished medicines, bulk pharmaceuticals as well as medical materials, and has been making positive progress in its research of innovative drugs.

Profit from Operations

For the year ended 31 December 2023, the Group's profit from operations amounted to HK$1,638,901,000, representing an increase of 15.1% as compared to HK$1,423,713,000 of last year, and the Group's operating profit margin (defined as profit from operations divided by total revenue) further improved to 25.4% as compared to 22.1% of 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 124.1% to HK$85,942,000 for the year ended 31 December 2023 (2022: HK$38,350,000) mainly due to a higher finance cost arising from a higher average bank borrowings interest rate as compared to 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 2023. For the year ended 31 December 2023, the income tax expense of the Group increased by 21.3% to HK$254,281,000 (2022: HK$209,602,000) mainly due to a higher profit before taxation of the Group.

Profit Attributable to Equity Shareholders

For the year ended 31 December 2023, profit attributable to equity shareholders of the Company increased by 17.4% to HK$1,318,616,000 (2022: HK$1,122,837,000), with net profit margin (defined as profit attributable to equity shareholders of the Company divided by total revenue) increased from 17.5% last year to 20.4% this year.

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 31 December 2023, the Group's cash and cash equivalents slightly decreased to HK$1,615,208,000 (31 December 2022: HK$1,667,547,000), mostly were denominated in RMB. A higher proportion of bank deposits was placed as fixed deposits, which was not classified as cash and cash equivalents, for a higher interest income.

As at 31 December 2023, the Group's bank borrowings slightly increased to HK$3,368,141,000 (31 December 2022: HK$3,207,648,000), comprising HK$2,118,141,000 (31 December 2022: HK$1,875,804,000) of borrowings denominated in RMB and HK$1,250,000,000 (31 December 2022: HK$1,331,844,000) in Hong Kong dollars. As at 31 December 2023, all of the Group's bank borrowings were repayable within 5 years, mostly bearing interest at variable rates.

Gearing ratio (defined as bank borrowings and lease liabilities less cash and cash equivalents divided by total capital less non-controlling interests) was 20.2% as at 31 December 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 2.03 as at 31 December 2023.

As at 31 December 2023, the Group's total capital commitments outstanding but not provided for was HK$691,843,000 (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 31 December 2023, the Group had approximately 5,600 employees (31 December 2022: 5,000 employees), 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 under the share option schemes of the Company and shares granted under Restricted Share Award Scheme may be awarded to eligible employees according to the assessment of individual performance.

The overriding objective of the remuneration policy of executive Directors and senior management is to provide the packages needed to attract, retain and motivate executive Directors and senior management of the quality required to run the Company successfully, without paying more than necessary. The remuneration policy of executive Directors and senior management are reviewed and recommended for the Board's approval by the Remuneration Committee. In addition, share options may be granted under the share option schemes of the Company and shares may be granted under the Restricted Share Award Scheme to the executive Directors and senior management. The remuneration package is reviewed with reference to the Board's corporate goals and objectives, prevailing market practice, duties and responsibilities of the individual executive Director or senior management and his/her contribution to the Group. The objective of remunerating non-executive Directors is to ensure that they are remunerated sufficiently but not excessively for their efforts and time dedicated to the Company.

The total remuneration cost incurred by the Group for year ended 31 December 2023 was approximately HK$717,031,000 (2022: HK$668,407,000), representing an increase of 7.3% as compared with last year mainly due to an increased number of employees.

CHARGE ON ASSETS

As at 31 December 2023, the Group's right-of-use assets with a carrying amount of HK$47,229,000 (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 dates below, the exchange rates of converting HK$ into RMB (as calculated in HK$) were:

1 January 2022	0.81760
31 December 2022	0.89327
31 December 2023	0.90622

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiary or associate for the year ended 31 December 2023.

CONTINGENT LIABILITIES

As at 31 December 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 3,640,000 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 year ended 31 December 2023.

During the year ended 31 December 2023, the Company acquired an aggregate of 3,640,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$18,036,000 which details are set out below. As at 31 December 2023, all of the 3,640,000 shares have been cancelled.

Date of the purchases	Total number of the ordinary shares purchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		(HK$)	*(HK$)*	*(HK$)*
17 April 2023	1,940,000	5.25	5.16	10,180,000
10 May 2023	700,000	4.98	4.93	3,492,000
1 November 2023	1,000,000	4.40	4.29	4,364,000
	3,640,000			18,036,000

During the year ended 31 December 2023 and up to the latest practicable date, a total of 3,300,000 Shares (2022: nil) has been purchased by the Trustee pursuant to the Restricted Share Award Scheme as restricted shares, and no restricted share (2022: nil) has been granted to any Selected Participants. Hence, as at 31 December 2023 and the latest practicable date, the number of restricted shares available for grant under the Restricted Share Award Scheme is 3,300,000 Shares (31 December 2022: nil), which represented approximately 0.11% (31 December 2022: nil) of the issued shares of the Company as at 31 December 2023 and the latest practicable date (being 2,969,043,385 Shares). No restricted shares were vested, cancelled or lapsed pursuant to the Restricted Share Award Scheme during the years ended 31 December 2023 and 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that a sufficient public float of more than 25% of the issued capital of the Company has been maintained as at the latest practicable date, being 27 March 2024, and at all times during the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code"). Having made specific enquiry by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2023.

CORPORATE GOVERNANCE

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 Board reviews its corporate governance practices from time to time in order to meet the stakeholders' expectations and comply with the latest regulatory requirements, and to fulfill its commitment to a high standard of corporate governance.

The Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2023, except for the deviation from code provision C.2.1 of the CG code as follows:

Under code provision C.2.1, 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 31 December 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 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a pharmaceutical enterprise, the Group understands the importance of environmental sustainability and green manufacturing and is committed to generating a positive impact on the society and the environment. The investors and stakeholders are placing more emphasis on the performance of the environmental, social and governance (the "ESG") aspect. In addition to achieving our business objectives, we recognize our responsibility to operate in a more responsible and sustainable manner by integrating ESG considerations into our day-to-day operations.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2023 in conjunction with the Group's external auditors.

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

DIVIDENDS

The Company has adopted a dividend policy in which the Board considers paying dividends twice a year, which are interim dividend and final dividend. From time to time, the Board may declare interim dividend. Under normal business conditions, and subject to the approval by the shareholders in a general meeting, the Board may recommend final dividend to maintain a stable dividend payout ratio (defined as the aggregated amount of interim dividend and final dividend in each financial year divided by the Group's audited net profits attributable to the shareholders in that year) but there is no assurance that dividends will be paid in any particular amount for any given period. The Board may also declare special dividends in addition to such dividends, or consider the issuance of bonus shares on a basis permitted by the applicable laws and regulations as it considers appropriate.

For the year ended 31 December 2023, an interim dividend of HK$0.07 per share was declared on 29 August 2023 and paid on 27 September 2023 (2022: HK$0.06 per share). The Board recommended a final dividend of HK$0.10 per share (2022: HK$0.08 per share) which, together with the interim dividend, will result in total dividends of HK$0.17 per share for the year ended 31 December 2023 (2022: HK$0.14 per share). The payment of the final dividend is subject to the approval in the forthcoming annual general meeting.

In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting, all properly completed transfer forms, accompanied by the relevant share certificates, 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., Wednesday, 22 May 2024 which is the Record Date for the proposed final dividend. The proposed final dividend is expected to be paid on or about Tuesday, 4 June 2024.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 2:00 p.m. on 17 May 2024 at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. A notice of annual general meeting will be published and despatched in accordance with the requirement of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 May 2024 to Friday, 17 May 2024, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates 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., Monday, 13 May 2024.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.ssygroup.com.hk) and on the website of Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2023 annual report containing all the information required by the Listing Rules will be available on the above websites and will be despatched to the shareholders in due course.

Finally, on behalf of the Board, I hereby express our sincere gratitude to our investors and staff for their dedicated support to the Group.

On behalf of the Board
Qu Jiguang
Chairman

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises Mr. Qu Jiguang, Mr. Su Xuejun, Mr. Meng Guo and Mr. Chow Hing Yeung as executive Directors, Mr. Liu Wenjun as non-executive Director and Mr. Wang Yibing, Mr. Chow Kwok Wai and Mr. Jiang Guangce as independent non-executive Directors.