石四藥集團有限公司
**SSY Group Limited**

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

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 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 2018.

## I. RESULTS AND DIVIDEND DISTRIBUTION

During the first half of the year, the consolidation effect was further revealed in the intravenous infusion solutions industry. Leading enterprises expanded their market shares and product prices showed a steady growth. The Company seized this historic development opportunity by taking its own advantages in scale, quality and brand, achieving the favorable positions of market expansion with concurrent increases in volume and price. Leveraging on the significant enhancement of operational strength, we reached a historic high in terms of our operating results, and continued to remain the fastest-growing company in the industry.

During the first half of the year, the Group achieved a revenue of HK$2,093 million (or approximately RMB1,705 million), representing an increase of 57.9% (or approximately 45.8% in RMB) compared to the corresponding period of last year, and the gross profit margin increased by 8.2 percentage point. The net profit was HK$446 million (or approximately RMB363 million), representing an increase of 54.7% (or approximately 42.9% in RMB) compared to the corresponding period of last year.

The Directors resolved to pay an interim dividend of HK$0.04 per share on 21 September 2018 to the shareholders named in the register of members of the Company on 10 September 2018, which represented a 33.3% increase compared to the corresponding period of last year. The total amount to be distributed is approximately HK$121 million, representing an increase of 41.5% compared to the corresponding period of last year.

## II. BUSINESS REVIEW

| | For the six months ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2018** | | 2017 | | |
| | **Revenue** | **Percentage of revenue** | Revenue | Percentage of revenue | Increase |
| | ***HK$'000*** | ***%*** | *HK$'000* | *%* | *%* |
| Intravenous infusion solution and others | **2,011,191** | **96.1** | 1,261,165 | 95.2 | 59.5 |
| (Including: Non-PVC soft bag & upright soft bag infusion solution | **1,249,188** | **59.7** | 812,760 | 61.3 | 53.7 |
| PP plastic bottle infusion solution | **399,252** | **19.1** | 257,181 | 19.4 | 55.2 |
| Glass bottle infusion solution | **229,990** | **11.0** | 117,437 | 8.9 | 95.8 |
| Others) | **132,761** | **6.3** | 73,787 | 5.6 | 79.9 |
| Medical materials | **81,575** | **3.9** | 64,172 | 4.8 | 27.1 |
| Total | **2,092,766** | **100** | 1,325,337 | 100 | 57.9 |

### *(I) Sales of Products*

During the first half of the year, the Company put a greater effort into business development, making full use of its dominances in variety, quality, cost and brand as well as coordinating the development of end market. The Company also attracted sales and marketing professionals to expand the clinical business development team and strengthen its market share.

Last year, the Company successfully widened its market coverage from northern China region to the whole country. For the first half of this year, the Company further achieved steady development in the market. The number of provinces with sales exceeding RMB50 million further increased to 14 in the first half of this year, laying a market foundation for the Company's future expansion of its new products.

Production and sales of intravenous infusion solutions, the Company's leading products, were thriving. During the first half of the year, sales volume reached 721 million bottles/bags, representing an increase of 15.0% compared to the corresponding period of last year, in particular, upright soft bags achieved the most significant growth, which represented a year-on-year increase of 39.4%. The proportion of therapeutic infusion solutions began to rise, promoting the improvement of the Company's product mix.

During the period, as the products further reverted to rational pricing, the prices of different products had growth at varying degrees. Besides, the increased proportion of therapeutic infusion solutions in sales contributed to the overall rise in average product prices.

Export sales to foreign countries continued to maintain stable growth. During January to June, the export sales volume increased 28% year-on-year. We completed the export registration procedures and obtained registration certificates in nine countries such as Uruguay, Pakistan, Vietnam, Uzbekistan and Cameroon for 20 product specifications, including Metronidazole and Sodium Chloride Injection, Ciprofloxacin Lactate Injection and 18AA Amino Acid Injection. We also obtained GMP certificate granted by the Philippines Ministry of Health and compliance reports for quality reviews from customers in the Netherlands, France and other countries. The Company was recognized as the "Leading Enterprise in Internationalization of Preparations" in the "2018 Award for Top 100 Internationalized Pharmaceutical Companies" event held by the China Chamber of Commerce for Import & Export of Medicines & Health Products.

Production and sales volume of small liquid injections products in ampoule started to increase rapidly. During the first half of the year, sales volume increased by 92.9% compared to the corresponding period of last year, reaching approximately 30 million units. With more production approvals obtained, the key issue restricting the utilisation rate of production lines of small liquid injections in ampoule will be resolved. In near future, production of small liquid injections in ampules will be realized on a large scale and become one of the new growth points of the Company's results.

In respect of medical materials, Jiangsu Best New Medical Co., Ltd. brought its own technological advantages into full play and implemented differentiated operations, putting effort into the market development of high value-added products such as disposable sterilized rubber stoppers. Through improving the structure of rubber stoppers to meet foreign customers' needs, disposable sterilized rubber stoppers were provided for angiography, which were suitable for international market and successfully registered in the United States. Bulk sales were achieved in the first half of the year and expected to progressively expand the market to replace imported butyl rubber stopper products.

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

Technological innovation capabilities have been further enhanced. "Project of Establishment and Application of Soft Bag Infusion Solution Quality Control Technology System" was awarded the First Prize of Hebei Province Science and Technology Progress Award for the year 2017 by the People's Government of Hebei Province, being the only enterprise in the pharmaceutical industry of Hebei Province which received the First Prize for that year. In March 2018, the Company's technology centre was recognized as the National Enterprise Technology Centre, creating a development platform favouring innovative advances of the enterprise.

There has been continuous achievements from new innovations. The Company was granted approvals for drug production and registration for a total of 9 chemical drugs, among which Hemofiltration Solution and Hemofiltration Basic Replacement Fluid were the two crucial products for the Company to enter the hemofiltration market. Large-scale sterile production, instead of clinical configuration, could help effectively avoid the risk of contamination, while relatively less competition in the product market provided better room for market growth. Balanced Salt Solution (Irrigating) was used in ophthalmic operations for irrigating and rinsing, and was the first generic product in the domestic market. The four liquid injection products in polypropylene ampoule for small-volume intravenous infusion further enriched the Company's product lines in polypropylene ampoule packaging.

Consistency evaluation of chemical drugs in oral and injection preparations has been making steady progress. Up to now, studies of various products, including Fluconazole Tablets, Eanitidine Hydrochloride Capsules, Metronidazole Tablets, Fluconazole and Sodium Chloridle Injection Sodium Chloride Injection have been completed, and supplementary applications for the consistency evaluation of generic drugs are going to be submitted in the near future.

### *(III) Development of Projects*

To satisfy the market demand, the Company's construction of the new production line for surgical soft bag intravenous infusion solution in sterile package has been completed in the first half of the year, and is expected to commence operation in the fourth quarter this year. The large-volume soft bag production line is under construction, and is expected to be in conditions ready for production in year 2019. By speeding up the construction of pharmaceutical research & development platform and support projects for pilot-run and industrialized production, they will be ready to use in year 2019.

For the bulk pharmaceuticals project under Hebei Guangxiang Pharmaceutical Co., Ltd., the construction of phase one of the project has been smooth. The project focuses on the production of chemical bulk pharmaceuticals, such as caffeine. At present, the main building for workshop of phase one has been fully topped out. For the equipments required for production, we have completed the tender for procurement, and started the installation upon delivery. For the construction of environmental protection facilities, preliminary works of wastewater biochemical treatment, exhaust gas and highly-concentrated sewage treatment have been completed, and 50% of the civil work has been done.

## III. PROSPECTS FOR DEVELOPMENT

Looking ahead for the second half of the year, despite the immensely complex economic conditions in China and numerous potential adverse factors, the pharmaceutical industry will continue to have steady run in general. In terms of intravenous infusion solution industry, upon industry consolidation, the environment in which stronger side always enjoys superiority remains unchanged which fosters the development of leading enterprises. The Company will exert all efforts to capture the historic growth opportunity by expanding its market share, improving its product mix, boosting the sales of approved new products and raising the proportions of the therapeutic infusion solutions in production and sales. These help strengthening the Company's leading position in the intravenous infusion solutions industry.

For the second half of the year, sales for new products such as Sodium Acetate Ringer and Ambroxol in upright soft bags will be realized on a large scale, and surgical soft bag products will be launched on the market in batches. New products will gradually become the new growth point of the Company.

The annual sales target of intravenous infusion solutions is 1,500 million bottles/bags. We will further enhance the production efficiency and exhaust every means to meet the needs under market expansion.

Jiangsu Best New Medical Material Co. Ltd. will continue to improve the sales structure of rubber stoppers, put greater effort into market development of high value-added rubber stoppers such as disposable sterilized rubber stoppers, coated rubber stoppers and pre-filled syringes, and achieve the stable improvement in capacity and efficiency of UV color printing on infusion films. Leveraging on the comprehensive supporting functions, we further establish core competitive advantages in the medical materials field.

Regarding the research and development of new products, the Company will adhere to the new products development idea of "combining generic drugs and innovative drugs" with injection as the basis, reinforcing the Company's technological and product advantages in the intravenous infusion solutions industry of China. Besides, we will comprehensively promote the development of the new products for therapeutic injections and focus on various fields including treatment of chronic diseases and circulatory systems, emergency anesthesia therapy, antipyretic and analgesic therapy, as well as the new anti-infective therapy. We expect to obtain approximately 20 production approvals for injection this year.

Moxifloxacin Hydrochloride Sodium Chloride Injection is likely to be the first batch of generic drugs launched on the domestic market. Together with the Company's existing Bromhexine Hydrochloride Injection, Ambroxol Hydrochloride products as well as pending approval (type 2.1 innovative drug in China) Levornidazole and Sodium Chloride Injection and Doxofylline for Injection, they will form the product portfolio in respiratory field. The approval for the launch of peritoneal products together with approved hemofiltration products will accelerate the forming of Company's product portfolio in the field of kidney disease and dialysis. Meanwhile, to seize high-end market, we will further optimize the product line of polypropylene plastic ampoules. Through developing new microspheres, Liposomal High-end Injection, Lyophilized Powder Injection, Dual-chamber Bag, Multi-chamber Bag and Aseptic Filling Injection, the Company gradually establishes its leading position in injections in terms of high-end drug delivery system and innovative packaging form. We will continue to conduct various bulk pharmaceuticals and oral preparations projects, which include AND-9 innovative drug under type 1 chemical drug and Miriplatin innovative drug under type 2 chemical drug. We will also put strenous efforts in the development of innovative drugs which are not yet meeting clinical criterias, in order to create the third growth pole for the Company's oral preparations.

For the second half of the year, pharmaceuticals project under Hebei Guangxiang Pharmaceutical Co., Ltd. will work on the installation and calibration of the equipments, pipelines and their relevant supporting electricity and automation works. Along with good practices in the quality and progress control of each construction items, we will work on the certification of construction works and, by phases, linkage commissioning and preparations for trial run by the end of the year, in order to achieve the goal of project development with quality and quantity guaranteed.

We are full of confidence on the future development of the Company. Leveraging on the competitive edges on our scale, quality and lean management in the industry, our leading position in the industry of intravenous infusion solution products will be further strengthened despite strong market competition. We are committed to bringing satisfactory return to our investors.

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 Company.

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

*for the six months ended 30 June 2018 (unaudited)*

*(Expressed in Hong Kong dollars)*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Revenue** | *3* | **2,092,766** | 1,325,337 |
| Cost of sales | | **(772,557)** | (597,206) |
| **Gross profit** | | **1,320,209** | 728,131 |
| Other net income | | **5,120** | 2,511 |
| Selling and distribution costs | | **(629,609)** | (233,594) |
| General and administrative expenses | | **(150,608)** | (121,755) |
| **Profit from operations** | | **545,112** | 375,293 |
| Finance income | | **5,288** | 1,337 |
| Finance costs | | **(27,323)** | (23,175) |
| Finance costs – net | *4(a)* | **(22,035)** | (21,838) |
| **Profit before taxation** | *4* | **523,077** | 353,455 |
| Income tax | *5* | **(76,385)** | (65,630) |
| **Profit for the period** | | **446,692** | 287,825 |
| **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 | | **(57,692)** | 109,760 |
| **Other comprehensive income for the period** | | **(57,692)** | 109,760 |
| **Total comprehensive income for the period** | | **389,000** | 397,585 |

| | Note | Six months ended 30 June **2018** *HK$'000* | 2017 *HK$'000* |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Equity shareholders of the Company | | **445,545** | 288,016 |
| Non-controlling interests | | **1,147** | (191) |
| **Profit for the period** | | **446,692** | 287,825 |
| **Total comprehensive income attributable to:** | | | |
| Equity shareholders of the Company | | **392,674** | 397,576 |
| Non-controlling interests | | **(3,674)** | 9 |
| **Total comprehensive income for the period** | | **389,000** | 397,585 |
| **Earnings per share** | *6* | | |
| — Basic | | **HK$0.1497** | HK$0.1014 |
| — Diluted | | **HK$0.1468** | HK$0.0999 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*at 30 June 2018 (unaudited)*

*(Expressed in Hong Kong dollars)*

| | Note | At 30 June 2018 | | At 31 December 2017 | |
|---|---|---|---|---|---|
| | | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | | **2,612,387** | | 2,548,591 |
| Land use rights | | | **285,938** | | 318,258 |
| Intangible assets | | | **523,769** | | 516,858 |
| Deferred tax assets | | | **12,318** | | 9,025 |
| Other non-current assets | | | **9,133** | | — |
| | | | **3,443,545** | | 3,392,732 |
| **Current assets** | | | | | |
| Inventories | | **401,880** | | 397,680 | |
| Trade and bills receivables | *7* | **1,200,573** | | 1,230,685 | |
| Prepayments, deposits and other receivables | | **170,483** | | 137,426 | |
| Pledged bank deposits and time deposits | | **89,183** | | 58,104 | |
| Cash and cash equivalents | | **691,723** | | 687,319 | |
| | | **2,553,842** | | 2,511,214 | |
| Assets held for sale | | **44,208** | | — | |
| | | **2,598,050** | | 2,511,214 | |
| **Current liabilities** | | | | | |
| Borrowings | | **307,861** | | 900,356 | |
| Trade payables | *8* | **182,369** | | 193,589 | |
| Contract liabilities | | **21,802** | | 20,689 | |
| Accruals and other payables | | **493,241** | | 342,278 | |
| Income tax payable | | **21,855** | | 43,388 | |
| | | **1,027,128** | | 1,500,300 | |
| **Net current assets** | | | **1,570,922** | | 1,010,914 |
| **Total assets less current liabilities** | | | **5,014,467** | | 4,403,646 |

| | Note | At 30 June 2018 HK$'000 | At 30 June 2018 HK$'000 | At 31 December 2017 HK$'000 | At 31 December 2017 HK$'000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Borrowings | | **737,410** | | 848,353 | |
| Deferred tax liabilities | | **24,404** | | 26,169 | |
| Deferred revenue | | **65,707** | | 42,382 | |
| | | | **827,521** | | 916,904 |
| **NET ASSETS** | | | **4,186,946** | | 3,486,742 |
| **CAPITAL AND RESERVES** | *9* | | | | |
| Share capital | | | **67,088** | | 64,241 |
| Reserves | | | **4,004,538** | | 3,411,117 |
| **Total equity attributable to equity shareholders of the Company** | | | **4,071,626** | | 3,475,358 |
| Non-controlling interests | | | **115,320** | | 11,384 |
| **TOTAL EQUITY** | | | **4,186,946** | | 3,486,742 |

## SELECTED NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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

### 1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, 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 27 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2018.

### 2. Changes in accounting policies

#### (a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*

- HKFRS 15, *Revenue from contracts with customers*

- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HK (IFRIC) 22 does not have a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in this interim financial report.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises the cumulative effects of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening statement of financial position at 1 January 2018. Comparative information is not restated.

**(b) HKFRS 9, Financial instruments**

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group assessed that the cumulative effect of initial application was not material. Therefore no adjustment to the opening equity at 1 January 2018 was made. Comparative information continues to be reported under HKAS 39.

Details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

***(i) Classification of financial assets and financial liabilities***

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

There is no material impact on the carrying amounts of the assets on adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts, if any. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

***(ii) Credit losses***

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost. The Group assessed that such change in accounting policy does not have a significant impact on the financial statements.

***(iii) Transition***

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. The information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

— The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

**(c) HKFRS 15, Revenue from contracts with customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

***(i) Presentation of contract liabilities***

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group changed the name of line item of "Advance receipts from customers" on the face of the consolidated statement of financial position to "Contract liabilities".

***(ii) Other impacts***

The Group's assessment is that the impact of HKFRS 15 in other areas including timing of revenue recognition, customer rights of return, principal vs. agent arrangements and customer financing is not significant as either the respective volume of transactions are not material or the new standard has not led to a change in accounting treatment.

**3. Revenue and 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 following reportable segments.

**(a) Disaggregation of revenue**

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Disaggregation by major products | | |
| — Sales of pharmaceutical products | **2,001,654** | 1,254,407 |
| — Sales of medical materials | **81,575** | 64,172 |
| — Services income | **7,133** | 3,563 |
| — Sales of raw materials and by-products | **2,229** | 2,042 |
| | **2,092,591** | 1,324,184 |
| **Revenue from other sources** | | |
| — Rental income | **175** | 1,153 |
| | **2,092,766** | 1,325,337 |
| Disaggregated by geographical location of customers | | |
| — The PRC | **2,028,532** | 1,274,290 |
| — Other countries | **64,234** | 51,047 |
| | **2,092,766** | 1,325,337 |

The geographical analysis above includes rental income from external customers in the PRC for the six months ended 30 June 2018 of HK$175,000 (six months ended 30 June 2017: HK$1,153,000).

**(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 2018 | | | |
|---|---|---|---|---|
| | **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 | **2,003,883** | **81,575** | **—** | **2,085,458** |
| Over time *(note)* | **7,308** | **—** | **—** | **7,308** |
| Revenue from external customers | **2,011,191** | **81,575** | **—** | **2,092,766** |
| Inter-segment revenue | **11,763** | **84,076** | **—** | **95,839** |
| **Reportable segment revenue** | **2,022,954** | **165,651** | **—** | **2,188,605** |
| **Operating profit/(loss)/segment results** | **552,635** | **12,354** | **(19,877)** | **545,112** |
| Finance income | **5,157** | **131** | **—** | **5,288** |
| Finance costs | **(26,518)** | **(805)** | **—** | **(27,323)** |
| **Profit/(loss) before income tax** | **531,274** | **11,680** | **(19,877)** | **523,077** |
| Income tax | **(73,347)** | **(3,038)** | **—** | **(76,385)** |
| **Reportable segment profit/(loss) for the period** | **457,927** | **8,642** | **(19,877)** | **446,692** |

| | Six months ended 30 June 2017 | | | |
|---|---|---|---|---|
| | Intravenous infusion solution and others | Medical materials | Unallocated | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Disaggregated by timing of revenue recognition** | | | | |
| Point in time | 1,256,449 | 64,172 | — | 1,320,621 |
| Over time *(note)* | 4,716 | — | — | 4,716 |
| **Revenue from external customers** | 1,261,165 | 64,172 | — | 1,325,337 |
| Inter-segment revenue | — | 68,596 | — | 68,596 |
| **Reportable segment revenue** | 1,261,165 | 132,768 | — | 1,393,933 |
| **Operating profit/(loss)/segment results** | 378,005 | 5,645 | (8,357) | 375,293 |
| Finance income | 1,171 | 166 | — | 1,337 |
| Finance costs | (18,481) | (1,295) | (3,399) | (23,175) |
| **Profit/(loss) before income tax** | 360,695 | 4,516 | (11,756) | 353,455 |
| Income tax | (62,700) | (2,930) | — | (65,630) |
| **Reportable segment profit/(loss) for the period** | 297,995 | 1,586 | (11,756) | 287,825 |

*Note:* Revenue recognised over time primarily include service income and rental income.

| | **At 30 June 2018** | | | |
|---|---|---|---|---|
| | **Intravenous infusion solution and others** | **Medical materials** | **Unallocated** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **Reportable segment assets** | **5,612,794** | **392,337** | **36,464** | **6,041,595** |
| **Reportable segment liabilities** | **1,762,231** | **52,877** | **39,541** | **1,854,649** |

| | At 31 December 2017 | | | |
|---|---|---|---|---|
| | Intravenous infusion solution and others | Medical materials | Unallocated | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Reportable segment assets** | 5,485,593 | 372,497 | 45,856 | 5,903,946 |
| **Reportable segment liabilities** | 1,527,923 | 84,569 | 804,712 | 2,417,204 |

## 4. Profit before taxation

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| ***(a) Finance income and costs*** | | |
| Financial income: | | |
| — Interest income on bank deposits | **(4,533)** | (1,337) |
| — Net foreign exchange gain | **(755)** | — |
| **Financial income** | **(5,288)** | (1,337) |
| Financial costs: | | |
| — Interest expense of borrowings | **27,323** | 23,054 |
| — Other bank charges | **—** | 119 |
| — Net foreign exchange loss | **—** | 2 |
| **Financial costs** | **27,323** | 23,175 |
| **Financial costs — net** | **22,035** | 21,838 |

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| ***(b) Other items*** | | |
| (Gain)/loss on disposal of property, plant and equipment | **(1,902)** | 273 |
| Government grants | **(3,218)** | (2,784) |
| Depreciation of property, plant and equipment | **131,204** | 116,523 |
| Amortisation of intangible assets | **9,542** | 6,574 |
| Amortisation of land use rights | **3,781** | 2,934 |
| Research and development costs | **46,161** | 27,829 |

## 5. Income tax

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Current tax — PRC corporate income tax ("CIT") | **81,466** | 66,573 |
| Deferred taxation | **(5,081)** | (943) |
| | **76,385** | 65,630 |

Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No.4"), Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best") and Hebei Guolong Pharmaceutical Co., Ltd. have been certified as High and New Technology Enterprises ("HNTE") in 2015, 2017 and 2017, 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. Subject to renewal, Shijiazhuang No.4's HNTE status will enable it to continue to enjoy the preferential income tax rate of 15% from 1 January 2018 to 31 December 2020. The Group believes that Shijiazhuang No.4 meets all the criteria for the renewal of HNTE. Therefore, income tax expense of Shijiazhuang No.4 for the six months ended 30 June 2018 was calculated based on an income tax rate of 15%.

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.

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

## 6. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$445,545,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$288,016,000) and the weighted average of 2,976,562,000 ordinary shares (six months ended 30 June 2017: 2,839,915,000 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$445,545,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$288,016,000) and the weighted average number of 3,034,140,000 ordinary shares for the six months ended 30 June 2018 (six months ended 30 June 2017: 2,883,286,000 ordinary shares) after adjusting for the effects of dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

***(i) Weighted average number of ordinary shares (diluted)***

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares at 30 June (basic) | **2,976,562** | 2,839,915 |
| Effect of deemed issue of shares under the Company's share option scheme | **57,578** | 43,371 |
| Weighted average number of ordinary shares at 30 June (diluted) | **3,034,140** | 2,883,286 |

**7. Trade and bills receivables**

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

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **989,520** | 1,066,454 |
| 4 to 6 months | **191,076** | 141,624 |
| 7 to 12 months | **24,499** | 26,263 |
| 1 to 2 years | **6** | 911 |
| | **1,205,101** | 1,235,252 |
| *Less:* Allowance for doubtful debts | **(4,528)** | (4,567) |
| | **1,200,573** | 1,230,685 |

## 8. Trade payables

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

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **155,873** | 175,234 |
| 4 to 6 months | **22,836** | 12,966 |
| 7 to 12 months | **2,300** | 2,685 |
| 1 to 3 years | **735** | 2,073 |
| More than 3 years | **625** | 631 |
| | **182,369** | 193,589 |

## 9. Capital, reserves and dividends

### (a) Dividends

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Interim dividend declared and paid after the interim period, of HK4.0 cents per share (30 June 2017: HK3.0 cents per share) | **120,561** | 85,199 |

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** | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Final dividend proposed after the end of the reporting period of HK4.0 cents per share (30 June 2017: HK3.0 cents per share) | **120,561** | 85,200 |

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

During the six months ended 30 June 2018, no shares were repurchased or cancelled. (six months ended 30 June 2017: 4,654,000 ordinary shares were cancelled, which were repurchased in December 2016).

**(c) Equity settled share-based transactions**

During the six months ended 30 June 2018, a total of 142,368,000 share options were exercised by three directors of the Company and two management staffs, with exercise prices of HK$1.98 or HK$2.58 at a total consideration of HK$323,888,000.

During the six months ended 30 June 2017, no share options were granted or exercised.

## 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 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 "Mainland China"), and sells to customers mainly in the Mainland China.

For the six months ended 30 June 2018, 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 products are mainly manufactured and sold by Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4 Pharma"), a wholly-owned subsidiary. There are different forms of packing in intravenous infusion products including Non-PVC Soft Bag, Upright Soft Bag, PP Plastic Bottle and Glass Bottle. The Group's medical materials are mainly manufactured and sold by Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best"), which was also a wholly-owned subsidiary in the Group.

As a result of the increases in sales volumes and average selling prices of intravenous infusion solutions, revenue of the Group for the six months ended 30 June 2018 increased by 57.9% from HK$1,325,337,000 in corresponding period of last year to HK$2,092,766,000. Among which, revenue from intravenous infusion solution accounted for HK$1,878,430,000 (30 June 2017: HK$1,187,378,000), representing an increase of 58.2% as compared with corresponding period of last year. Among which, revenue from Non-PVC Soft Bag and Upright Soft Bag Infusion Solution were HK$922,568,000 and HK$326,620,000 respectively, totalling HK$1,249,188,000, an increase of 53.7% as compared with corresponding period of last year and accounted for 66.5% of revenue from intravenous infusion solution; revenue from PP Plastic Bottle Infusion Solution was HK$399,252,000 an increase of 55.2% as compared with corresponding period of last year and accounted for 21.3% of revenue from intravenous infusion solution; revenue from Glass Bottle Infusion Solution was HK$229,990,000, an increase of 95.8% as compared with corresponding period of last year and accounted for 12.2% of revenue from intravenous infusion solution.

With the increasing demand in the high quality intravenous infusion solution products in the PRC, the Group will keep focusing its production in Non-PVC Soft Bag and Upright Soft Bag infusion solution as well as increasing the proportion of therapeutic infusion solution among its revenue.

Revenue from medical materials products contributed HK$81,575,000 (30 June 2017: HK$64,172,000) to the Group, representing an increase of 27.1% as compared with corresponding period of last year mainly due to an increased capacity after upgrade of its production facilities.

**Cost of sales**

The Group's cost of sales increased by 29.4% to HK$772,557,000 for the six months ended 30 June 2018 as compared to the corresponding period last year of HK$597,206,000. The cost of direct materials, direct labour and other costs represented approximately 57.7%, 15.3% and 27.0% of the total cost of sales respectively, while their comparative percentages for the corresponding period last year were 54.2%, 13.8% and 32.0% respectively.

**Gross profit margin**

For the six months ended 30 June 2018, the Group recorded a total gross profit of HK$1,320,209,000 (30 June 2017: HK$728,131,000). Overall gross profit margin increased by 8.2 percentage point to 63.1% for the six months ended 30 June 2018 from 54.9% for the corresponding period last year. The increase of gross profit margin was mainly due to a better product mix from products with higher profit margins and the Group's continuous cost control measures.

**Other net income**

For the six months ended 30 June 2018, the Group's other net income increased to approximately HK$5,120,000 (30 June 2017: HK$2,511,000) which mainly represented government grants.

**Selling and distribution costs**

For the six months ended 30 June 2018, selling and distribution costs amounted to approximately HK$629,609,000 (30 June 2017: HK$233,594,000), which mainly consisted of transportation cost of approximately HK$308,922,000 (30 June 2017: HK$161,107,000), advertising and market research expenses of approximately HK$251,309,000 (30 June 2017: HK$31,840,000), salary expenses for sales and marketing staff of approximately HK$25,378,000 (30 June 2017: HK$18,678,000) as well as travelling and other disbursements of approximately HK$34,362,000 (30 June 2017: HK$13,406,000).

Selling and distribution expenses increased by 169.5% for the six months ended 30 June 2018 as compared with corresponding period of last year. Such increase is mainly driven by the growth in the Group's sales volume, which led to increases in transportation cost, advertising and market research expenses due to expanded sales and products coverage, as well as increase in staff and travelling expenses due to more visits to customers by sales and marketing staff.

**General and administrative expenses**

For the six months ended 30 June 2018, general and administrative expenses was approximately HK$150,608,000 (30 June 2017: HK$121,755,000) which mainly comprised of salaries expenses for administrative staff of approximately HK$52,451,000 (30 June 2017: HK$50,949,000) as well as depreciation and amortisation expenses of approximately HK$44,933,000 (30 June 2017: HK$36,662,000).

The increase of 23.7% in general and administrative expense as compared to that of the corresponding period last year was mainly due to the Group's overall expansion in operations.

**Profit from operations**

For the six months ended 30 June 2018, the Group's profit from operations amounted to HK$545,112,000, representing an increase of 45.2% as compared to HK$375,293,000 of the corresponding period last year, while the operating profit margin (defined as profit from operations divided by total revenue) decreased to 26.0% from 28.3% of the corresponding period last year as a result of higher selling and distribution costs.

**Finance costs**

The Group's net finance costs amounted to HK$22,035,000 for the six months ended 30 June 2018 (30 June 2017: HK$21,838,000), which consisted of mainly interest expenses of bank borrowings.

**Income tax expense**

The Group believes that Shijiazhuang No. 4 Pharma, Jiangsu Best and Hebei Guolong Pharmaceutical Co., Ltd. were qualified as the High and New Technology Enterprise and thus subject to a 15% preferential income tax in Mainland China for both 2018 and 2017. For the six months ended 30 June 2018, the income tax expense increased by 16.4% to HK$76,385,000 (30 June 2017: HK$65,630,000) mainly due to a higher profit before taxation of the Group as compared to the corresponding period last year.

**Profit attributable to equity shareholders**

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 increased by 54.7% to HK$445,545,000 (30 June 2017: HK$288,016,000). The net profit margin (defined as profit attributable to equity shareholders of the Company for the period divided by total revenue) slightly decreased to 21.3% from 21.7% of the corresponding period last 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 30 June 2018, the Group's cash and cash equivalents aggregated to HK$691,723,000 (31 December 2017: HK$687,319,000), mostly were denominated in Renminbi ("RMB").

As at 30 June 2018, the Group's bank borrowings amounted to HK$1,045,271,000 (31 December 2017: HK$1,748,709,000), comprising HK$321,433,000 (31 December 2017: HK$846,946,000) of borrowings denominated in RMB and HK$723,838,000 (31 December 2017: HK$901,763,000) in Hong Kong dollars. All of the Group's bank borrowings were repayable within 5 years, mostly bearing interest at floating rate.

Gearing ratio (defined as bank borrowings less cash and cash equivalents divided by total capital less non-controlling interests) significantly decreased from 23.4% as at 31 December 2017 to 8.0% as at 30 June 2018 mainly due to a net repayment of bank borrowings during the six months ended 30 June 2018.

Current ratio (defined as current assets divided by current liabilities) further improved from 1.67 as at 31 December 2017 to 2.53 as at 30 June 2018.

As at 30 June 2018, the Group's total capital commitments outstanding but not provided for was HK$264,493,000 (31 December 2017: HK$258,347,000).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had approximately 3,700 employees, most of whom were based in the PRC. The number of workers employed by the Group varies from time to time depending on its needs. 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, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.

The remuneration policy of executive Directors and senior management are reviewed and recommended for the Board's approval by the Remuneration Committee. 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 senor management and his/her contribution to the Group.

The total remuneration cost incurred by the Group for the six months ended 30 June 2018 was approximately HK$195,689,000 (30 June 2017: HK$152,416,000).

## CHARGE ON ASSETS

As at 30 June 2018, the Group's land use right with carrying amount of HK$19,557,000 (31 December 2017: HK$20,013,000) and the Group's property, plant and equipments with carrying amount of HK$22,597,000 (31 December 2017: HK$23,344,000) were pledged as collateral for the Group's 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 2017 | 0.89451 |
| 30 June 2017 | 0.86792 |
| 1 January 2018 | 0.83591 |
| 30 June 2018 | 0.84310 |

## MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2018.

## CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's listed securities for the six months ended 30 June 2018.

## 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 had terminated the old share option scheme adopted on 16 October 2005 and adopted the existing share option scheme ("Share Option Scheme").

Share Option Scheme is valid and remains in force for a period of 10 years from 20 September 2012 (the "Scheme Period") unless terminated earlier by shareholders in general meeting. The purpose of Share Option Scheme is to enable the Board to grant share options to the Eligible Person as defined in Share Option Scheme including, among others, the directors, employee or proposed employee, consultants or advisers of or to the Company or its subsidiaries or any entity in which the Group holds an equity interest, as incentives or rewards for their contribution or potential contribution to the development and growth of the Group. The provisions of Share Option Scheme comply with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Pursuant to Share Option Scheme, the offer for grant of options ("Offer") must be accepted within 30 days inclusive of the day on which such offer was made, with a payment of HK$1.00 as consideration for the grant. The exercise price of the share option is to be determined by the Board provided always that it shall be at least the higher of (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant provided that the option price per share shall in no event be less than the nominal amount of one share. The share options are exercisable at any time during a period as the Board may determine in granting the share options but in any event shall not exceed 10 years from the date of Offer, subject to the terms and conditions of Share Option Scheme and any conditions of grant as may be stipulated by the Board.

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issuable upon exercise of all options to be granted Share Option Scheme and any other schemes as from the commencement of the Scheme Period must not, in aggregate, exceed 10% of the shares in issue as at 20 September 2012 (the "Scheme Mandate Limit"). The Scheme Mandate Limit may be refreshed at any time by obtaining approval of the shareholders in general meeting provided that the new limit under the refreshed Scheme Mandate Limit must not exceed 10% of the issued share capital of the Company at the date of the shareholders' approval. The maximum number of shares issued and to be issued upon exercise of the options granted under Share Option Scheme and any other schemes to any of the Eligible Person (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of issued share capital of the Company unless shareholders' approval is obtained under the terms of Share Option Scheme.

On 19 October 2015, the Company granted a total of 122,000,000 share options to two executive directors of the Company and other management staff of the Group under Share Option Scheme, representing about 4.33% of the issued share capital as at the date immediately before share options were granted. The exercise price was HK$1.98. The exercisable period was from 19 October 2015 to 18 October 2018. During the six months ended 30 June 2018, a total of 72,368,000 (year ended 31 December 2017: 34,632,000) share options were exercised by two (year ended 31 December 2017: three) of management staff of the Group who was not a director of the Company and two (year ended 31 December 2017: nil) executive directors of the Company. As a result, during the six months ended 30 June 2018, a total of 72,368,000 (year ended 31 December 2017: 34,632,000) ordinary shares of the Company was issued.

On 15 April 2016, the Company granted 122,000,000 share options to Mr. Qu Jiguang, the Chairman and the CEO of the Company, under Share Option Scheme, representing about 4.31% of the issued share capital as at the date immediately before share options were granted. The exercise price was HK$2.58. The exercisable period was from 15 April 2016 to 14 April 2021. Such grant of share options was approved by the independent shareholders at the annual general meeting held on 27 May 2016. During the six months ended 30 June 2018, a total of 70,000,000 (year ended 31 December 2017: nil) share options were exercised by Mr. Qu Jiguang and, as a result, a total of 70,000,000 (year ended 31 December 2017: nil) ordinary shares of the Company was issued.

The refreshment of Scheme Mandate Limit was approved at the annual general meeting held on 27 May 2016. Upon such approval, the Directors were authorised to grant share options to subscribe up to 10% of the issued share capital as at the date of such approval. Pursuant to the Listing Rules and the Share Option Scheme, share options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised share options) will not be counted for purpose of calculating the Scheme Mandate Limit as refreshed. The limit on the number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No share options may be granted under the Share Option Scheme and any other schemes of the Company if this will result in the limit being exceeded.

The movement of the total number of share options outstanding is shown as follows:

| | **Six months ended 30 June 2018** | Year ended 31 December 2017 |
|---|---|---|
| Outstanding at the beginning of the period/year | **194,368,000** | 229,000,000 |
| Granted during the period/year | **—** | — |
| Exercised during the period/year | **(142,368,000)** | (34,632,000) |
| Lapsed during the period/year | **—** | — |
| Outstanding and exercisable at the end of the period/year | **52,000,000** | 194,368,000 |

As at 30 June 2018, the share options granted under Share Option Scheme and remained outstanding had an weighted average exercise price of approximately HK$2.58 (31 December 2017: HK$2.36) and a remaining contractual life of approximately 2.79 years (31 December 2017: 2.36 years).

The details of share options movements during the six months ended 30 June 2018 are shown as follows:

### (i) Directors of the Company

| | | | | Number of share options | | | |
|---|---|---|---|---|---|---|---|
| **Name of Director** | **Date of grant** | **Exercise price per share** | **Exercisable period** | **Outstanding at 1 Jan 2018** | **Granted during the period** | **Exercised during the period** | **Outstanding at 30 Jun 2018** |
| Mr. Qu Jiguang | 15 Apr 2016 | HK$2.58 | 15 Apr 2016 — 14 Apr 2021 | 122,000,000 | — | (70,000,000) | 52,000,000 |
| Mr. Wang Xianjun | 19 Oct 2015 | HK$1.98 | 19 Oct 2015 — 18 Oct 2018 | 24,416,000 | — | (24,416,000) | — |
| Mr. Su Xuejun | 19 Oct 2015 | HK$1.98 | 19 Oct 2015 — 18 Oct 2018 | 24,416,000 | — | (24,416,000) | — |
| | | | | **170,832,000** | **—** | **(118,832,000)** | **52,000,000** |

### (ii) Employees (other than directors of the Company)

| | | | Number of share options | | | |
|---|---|---|---|---|---|---|
| Date of grant | Exercise price per share | Exercisable period | Outstanding at 1 Jan 2018 | Granted during the period | Exercised during the period | Outstanding at 30 Jun 2018 |
| 19 Oct 2015 | HK$1.98 | 19 Oct 2015 — 18 Oct 2018 | 23,536,000 | — | (23,536,000) | — |
| | | | **23,536,000** | **—** | **(23,536,000)** | **—** |

Assuming that all share options outstanding as at 30 June 2018 are exercised, the Company will receive proceeds of HK$134,160,000.

## 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 August 2018, and at all times during the six months ended 30 June 2018.

## 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 2018.

## 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 adopted 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"). During the six months ended 30 June 2018, the Company has complied with all applicable provisions of CG Code with deviation from code provision A.2.1 as set out below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board appointed Mr. Qu Jiguang as the Chairman, who was responsible for the leadership and effective running of the Board. 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 Company believes that vesting both roles in Mr. Qu Jiguang will allow 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.

## INDEPENDENT REVIEW OF AUDITORS

The interim financial report for the six months ended 30 June 2018 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 to be sent to the shareholders.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's unaudited interim results for the six months ended 30 June 2018.

## INTERIM DIVIDEND

The Directors resolved to pay on 21 September 2018 an interim dividend of HK4 cents per share (amounting to a total of approximately HK$120,561,000) for the six months ended 30 June 2018 (30 June 2017: HK3 cents per share) to the shareholders named in the register of members of the Company on 10 September 2018.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 September 2018 to Thursday, 13 September 2018 (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., Monday, 10 September 2018.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim 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 interim report containing all the information required by the Listing Rules will be available on the above websites and will be despatched to the shareholders in due course.

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

On behalf of the Board
**Qu Jiguang**
*Chairman*

Hong Kong, 27 August 2018

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