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石四藥集團有限公司 SSY Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 (the “Group”) for the six months ended 30 June 2016.

I. RESULTS AND DIVIDEND DISTRIBUTION

Affected by various factors such as slowdown in government investment, medical insurance cost control, decrease in prices and increasingly stringent regulations, the pharmaceutical industry showed obvious decline in the industry’s growth. China’s pharmaceutical industry was under increasing pressure. In face of various difficulties, the Group made very hard-won gains in the first half of the year and maintained a relatively stable development trend of market share and business conditions, through adjusting bidding strategy, optimizing product portfolio, actively promoting product innovation and other initiatives.

In the first half of this year, the Group achieved a sales revenue of HK\$1,109 million (or approximately Renminbi (“RMB”) 934 million), representing an increase of 4.5% (or approximately 11.5% in RMB) compared to the corresponding period of 2015, and the gross profit margin increased by 3.1 percentage point. However, under the impact of RMB depreciation and increase in administrative and sales expenses, net profit was HK\$210 million (or approximately RMB177 million), representing a decrease of 16.0% (or approximately 10.4% in RMB) compared to the corresponding period of 2015.

The Directors resolved to pay on 30 September 2016 an interim dividend of HK2.5 cents per share (amounting to a total of approximately HK\$71,115,000) for the six months ended 30 June 2016 to the shareholders named in the register of members of the Company on 19 September 2016.

II. BUSINESS REVIEW

Revenue

	For the six months ended 30 June				
	2016		2015		Increase/ (decrease) %
	Revenue	Percentage	Revenue	Percentage	
<i>HK\$'000</i>	of revenue %	<i>HK\$'000</i>	of revenue %		
Intravenous infusion solution and others	1,036,716	93.5	1,061,389	100	(2.3)
(Including: Non-PVC soft bag & upright soft bag infusion solution	613,497	55.3	596,612	56.2	2.8
PP plastic bottle infusion solution	239,838	21.6	238,341	22.4	0.6
Glass bottle infusion solution	110,706	10.0	128,162	12.1	(13.6)
Others)	72,675	6.6	98,274	9.3	(26.0)
Medical materials	<u>72,396</u>	<u>6.5</u>	—	—	N/A
Total	<u>1,109,112</u>	<u>100</u>	<u>1,061,389</u>	<u>100</u>	<u>4.5</u>

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 acquired by the Group on 30 September 2015.

(I) Sales of Products

During the first half of the year, the intravenous infusion solution market witnessed intensified competition, especially the competition in plastic bottle packaging infusion solutions turning white-hot. Facing tough market conditions, the Group made full use of its advantages in terms of production scale, product specification and quality assurance in order to strengthen penetration in existing market, gradually explore new market, take advantage of its brand and shift the focus to the lower end of the market, in an effort to concentrate on the development to the primary healthcare market and continuously expand the end user coverage of the Group's advantageous products including soft bag infusion solutions, rinsing solutions and therapeutic infusion solutions, so as to maintain

market dominance and revenue growth. Meanwhile, to mitigate the adverse effect from the industry and price policies, the Group strengthened centralized bidding for bulk raw materials including plastic granules and co-extrusion film through lean management, and constantly tapped potentials and reduced production costs with implementation of a series of technical innovative modifications such as integrated bottle-ring pull, so as to effectively enhance competitiveness of our products. In the first half of the year, the Group achieved sustained growth of production and revenue of intravenous infusion solution business, with sales volume of intravenous infusion solutions amounting to approximately 540 million bottles/bags, representing an increase of 12.1% as compared with the corresponding period of last year; sales volume of soft bag infusion solutions reached 266 million bags, representing an increase of 15.8% as compared to the corresponding period of last year, of which sales volume of upright soft bag infusion solutions reached 68 million bags, representing an increase of 96.5%. The operational advantages of production scale was further realised.

The international export business grew continuously during the first half of 2016 on the basis of maintaining the overall scale of existing sales. We achieved an export revenue amounting to HK\$38,780,000, representing an increase of 8.2% as compared to the corresponding period of last year. Checkings and registrations on products were passed in Peru and other countries. Categories of products for export, especially profitable products, were enriched. Currently, the Group has 66 registered product specifications for exporting to 74 countries or regions.

(II) Research and Development of New Products

The research and development of new products made a satisfactory progress in the first half of the year. We successively obtained production approval for Ambroxol Hydrochloride and Sodium Chloride Injection, a drug promoting mucus clearance, being the second entity in China obtaining this production approval. We also obtained exemption in approvals for clinical trial for sorbitol-mannitol rinsing solution for surgery purpose, and obtained 27 approvals for clinical trial for Type 3 chemical drugs including Pomalidomide for treating multiple myeloma, Stiripentol for treating children with epilepsy, Lurasidone Hydrochloride for treating schizophrenia and Imidafenacin for treating urinary incontinence; 6 approvals for bioequivalence clinical trials for Type 6 chemical drugs including Felodipine Sustained Release Tablets for treating hypertension and Rosuvastatin Calcium Tablets for reducing blood lipid; and 10 permits for packaging materials including the new outer barrier upright polypropylene infusion bags. Under the “science and technology create the future” development strategy, based on generic drug products focusing on psychiatric and neurological diseases, respiratory diseases, infectious diseases, dialysis and auxiliary treatment, rinsing solution and nutritious treatments, the Group closely followed the pace of the international pharmaceutical industry in terms of product and technological innovation, research and development direction as well as major technology platform, comprehensively promoted the development, layout and planning of product pipeline, and put effort into research for drugs with innovations and

breakthroughs. Currently, the Group has 184 projects under research and development, 77 of which have applications submitted for approval. The innovative results were increasingly rich when the support from research and development was enhanced. In the first half of the year, the Group obtained 2 patents including 1 invention patent and 1 practical new patent; and applied for 10 patents including 7 invention patents and 3 practical new patents, which represented fruitful results of intellectual rights and provided sufficient support for the sustainable development of the Group. In respect of medical material, the Group increased efforts on production techniques in products such as pre-filled rubber stopper and infusion film to create a competitive advantage by upstream product chain.

With the enhancement of the ability and level of innovation, the building of innovative platform is gradually completed. In accordance with the research and development system and the Group's development orientation, several leading talents at various technology platforms with extensive experiences in key areas of drug research, including chemical drugs and traditional Chinese medicine innovation were introduced to further improve the Group's overall research and development level. As an efficient research team led by talents and acting on international standard was basically built, national enterprise technology and the pace of building State-Province Joint Engineering Laboratory have effectively advanced.

III. PROSPECTS FOR DEVELOPMENT

In the second half of the year, we foresee that pharmaceutical manufacturing enterprises will still be confronted with rigorous test from policies and market. Elimination within intravenous infusion solutions industry will continue, which represents coexistence of opportunities and challenges. The Group will positively face difficulties and firmly grasp the two driving forces for development, market and research & development, to continuously consolidate and expand its advantageous position through strengthening and enhancing the Group, so as to generate returns to investors with remarkable operating results.

In the second half of the year, the Group will make use of our advantages in scale and brand, further optimize product portfolio and implement lean management to actively carry out varied research & development and market measures, improve the profit margin of infusion solution products and ensure the Group's leading position within the industry in terms of sales volume of soft bag infusion solution to strive for stability and growth in both sales and profits.

We will focus on the follow-up works of the tender in bid-winning markets of non-PVC upright soft bags and dual-tube dual-valve soft bags infusion solution products; endeavor to excel in the marketing and operation of small liquid injections, soft bags rinsing solutions and therapeutic infusion solution products. Through the development of new markets and enhancement of market penetration in the existing markets, the Group will strive to ensure its advantages in the market.

We will actively enter competition in international market, accelerate the pace of international registration and accreditation checkings of our products, complete the onsite quality re-checkings in countries such as Pakistan and Vietnam in the second half of the year, and continuously expand the export channels and production scale of infusion solution, so as to maintain a steady growth of export revenue.

We will also actively seek for opportunities for acquisition and merger in the pharmaceutical industry. Under the intensified market competition and influence of national policy, merger and acquisition will become a major trend. The Group will capitalize on its own advantages to actively seek for acquisition and merger, so as to strengthen the Group's market and product position.

In respect of new product development, the application of production approval for 8 projects including Levamlodipine Besylate Tablet for treating hypertension, Argatroban Raw Materials and Injection (an anticoagulant drug) as well as Ropivacaine Hydrochloride Injection (a local anaesthetic drug), and the application of clinical trial for 18 projects including Acetylcysteine Solution for Inhalation are targeted to be completed in the second half of the year. The clinical research of previous Type 3.1 new drug Lacosamide will continue, and the Group will strive for completing its application of production approval in next year. Currently, there are 32 new chemical drug raw materials and injection solutions with 50 different specifications in the progress of approval by the State's Centre for Drug Evaluation.

In the second half of year, it is expected to obtain 3 production approvals for the new products including Hemofiltration Basic Solution and Hydroxyethyl Starch 130 and Sodium Chloride Injection, approval for Azithromycin raw materials, 12 approvals for drug clinical trials including Tenofovir Disoproxil Fumarate Tablets for treating AIDS and hepatitis B, 10 new categories of packaging materials for upright soft bags and polypropylene ampoules, as well as 5 registration permits for packaging materials including peritoneal dialysis solution bags and rinsing solution bags. We strive to obtain several production approvals for new drugs under previous Type 3.1 in 2017. Meanwhile, through tracking the dynamics of development of innovation drugs in the international arena and thereby speeding up the launch of new drugs as well as building State-Province Joint Engineering Laboratory, we will continuously strengthen the drug type selection focusing on psychiatric and neurological diseases, respiratory diseases, infectious diseases (viral, fungal and drug resistant bacterial), dialysis and auxiliary treatment, rinsing solution and nutritious treatments, with the objective of providing sufficient support for the Group's development.

In respect of developing the medical material, we will keep a close eye to the forefront of industry development, accelerate the efficiency of research and development of rubber stopper for biological products, continuously increase new types of hemostix rubber stopper and pay close attention to the progress of research and development and approval for new products including rubber stopper used for pen-type syringe and pre-filled syringe, so as to achieve new breakthrough in development of rubber stopper used for medical equipment. In terms of biological products, we will speed up research and development of serum-free media, diagnostic reagent and biological cosmetics to produce mature products as soon as possible for launching to the market.

We will maintain the Group's advantages in quality and management. We will also commit to implementing lean production and cost refined management. At the same time, we will pay attention to cost and expense areas, and increase the use of self-produced medical materials in infusion solution production to maximize cost control and profitability.

We are full of confidence on the future development of the Group. Leveraging on the competitive edges on our scale, quality and lean management in the industry, our infusion solution products' leading position in the industry will be further maintained in this challenging market. We started to reap a harvest from the research and development of new products over past years, which will render a substantial driving force for the growth of the Group. 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 in the Group for their support to the development of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2016 (unaudited)

(Expressed in Hong Kong dollars)

	<i>Note</i>	Six months ended 30 June	
		2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,109,112	1,061,389
Cost of sales		<u>(559,039)</u>	<u>(567,681)</u>
Gross profit		550,073	493,708
Other income		46,779	38,501
Selling and distribution costs		(157,257)	(116,640)
General and administrative expenses		<u>(150,209)</u>	<u>(98,256)</u>
Profit from operations		289,386	317,313
Finance income		1,090	1,702
Finance costs		<u>(27,286)</u>	<u>(20,819)</u>
Finance costs — net	4(a)	(26,196)	(19,117)
Share of losses of a joint venture		<u>(1,189)</u>	<u>(387)</u>
Profit before taxation	4	262,001	297,809
Income tax	5	<u>(51,567)</u>	<u>(47,271)</u>
Profit for the period		<u>210,434</u>	<u>250,538</u>
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		<u>(79,557)</u>	<u>986</u>
Other comprehensive income for the period		<u>(79,557)</u>	<u>986</u>
Total comprehensive income for the period		<u>130,877</u>	<u>251,524</u>

		Six months ended 30 June	
		2016	2015
	<i>Note</i>	HK\$'000	HK\$'000
Profit attributable to:			
Equity shareholders of the Company		210,428	250,501
Non-controlling interests		<u>6</u>	<u>37</u>
Profit for the period		<u>210,434</u>	<u>250,538</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		130,884	251,486
Non-controlling interests		<u>(7)</u>	<u>38</u>
Total comprehensive income for the period		<u>130,877</u>	<u>251,524</u>
Earnings per share	6		
— Basic		<u>HK\$0.0747</u>	<u>HK\$0.0844</u>
— Diluted		<u>HK\$0.0742</u>	<u>HK\$0.0844</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 (unaudited)

(Expressed in Hong Kong dollars)

		At 30 June 2016		At 31 December 2015	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment			2,565,068		2,693,812
Land use rights			263,394		271,794
Intangible assets			379,769		381,454
Deferred tax assets			3,967		4,147
Investments in a joint venture			20,782		22,395
Long-term receivables			1,170		1,194
			<u>3,234,150</u>		<u>3,374,796</u>
Current assets					
Inventories		295,153		282,518	
Trade and bills receivables	7	929,929		935,426	
Prepayments, deposits and other receivables		141,458		75,531	
Pledged bank deposits		626		859	
Cash and cash equivalents		373,323		338,964	
		<u>1,740,489</u>		<u>1,633,298</u>	
Current liabilities					
Borrowings		685,754		687,742	
Trade payables	8	221,159		269,502	
Advanced receipts from customers		10,406		10,196	
Accruals and other payables		261,251		445,154	
Income tax payable		27,605		21,723	
		<u>1,206,175</u>		<u>1,434,317</u>	
Net current assets			<u>534,314</u>		<u>198,981</u>
Total assets less current liabilities			3,768,464		3,573,777

	<i>Note</i>	At 30 June 2016		At 31 December 2015	
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities					
Borrowings		1,085,664		1,125,351	
Deferred tax liabilities		25,357		23,631	
Deferred revenue		7,970		5,743	
Other non-current liabilities		—		23,873	
			<u>1,118,991</u>		<u>1,178,598</u>
NET ASSETS			<u>2,649,473</u>		<u>2,395,179</u>
CAPITAL AND RESERVES 9					
Share capital		63,700		62,851	
Reserves		2,585,222		2,331,665	
Total equity attributable to equity shareholders of the Company			2,648,922		2,394,516
Non-controlling interests			551		663
TOTAL EQUITY			<u>2,649,473</u>		<u>2,395,179</u>

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 30 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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 2015 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 2015 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2016.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS1, Presentation of financial statements: Disclosure initiative*

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

3. 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. The entire segment of medical materials was acquired on 30 September 2015. No operating segments have been aggregated to form the following reportable segments.

(a) Information about profit or loss, assets and liabilities

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 2016			
	Intravenous infusion solution and others HK\$'000	Medical materials HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue from external customers	1,036,716	72,396	—	1,109,112
Inter-segment revenue	—	40,580	—	40,580
Reportable segment revenue	1,036,716	112,976	—	1,149,692
Operating profit/(loss) segment results	313,104	9,971	(34,878)	288,197
Finance income	1,073	17	—	1,090
Finance costs	(26,342)	(944)	—	(27,286)
Profit/(loss) before income tax	287,835	9,044	(34,878)	262,001
Income tax expenses	(50,129)	(1,438)	—	(51,567)
Reportable segment profit/(loss) for the period	237,706	7,606	(34,878)	210,434

Six months ended 30 June 2015

	Intravenous infusion solution and others <i>HK\$'000</i>	Medical materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>1,061,389</u>	<u>—</u>	<u>—</u>	<u>1,061,389</u>
Operating profit/(loss) segment results	325,338	—	(8,412)	316,926
Finance income	802	—	900	1,702
Finance costs	<u>(20,728)</u>	<u>—</u>	<u>(91)</u>	<u>(20,819)</u>
Profit/(loss) before income tax	305,412	—	(7,603)	297,809
Income tax expenses	<u>(47,271)</u>	<u>—</u>	<u>—</u>	<u>(47,271)</u>
Reportable segment profit/ (loss) for the period	<u>258,141</u>	<u>—</u>	<u>(7,603)</u>	<u>250,538</u>

At 30 June 2016

	Intravenous infusion solution and others <i>HK\$'000</i>	Medical materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	4,559,738	369,172	45,729	4,974,639
Reportable segment liabilities	1,555,270	75,197	694,699	2,325,166

At 31 December 2015

	Intravenous infusion solution and others <i>HK\$'000</i>	Medical materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	4,575,882	376,138	56,074	5,008,094
Reportable segment liabilities	1,836,395	79,141	697,379	2,612,915

4. Profit before taxation

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

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance income and costs		
Financial income:		
— Interest income on bank deposits	<u>(1,090)</u>	<u>(1,702)</u>
Financial income	<u>(1,090)</u>	<u>(1,702)</u>
Financial costs:		
— Interest expenses of borrowings	26,984	25,192
— Other bank charges	1,355	453
— Net foreign exchange loss	<u>2,052</u>	<u>1,191</u>
	30,391	26,836
Less: Interest expenses capitalised into qualifying assets*	<u>(3,105)</u>	<u>(6,017)</u>
Financial costs	<u>27,286</u>	<u>20,819</u>
Financial costs — net	<u>26,196</u>	<u>19,117</u>

* During the six months ended 30 June 2016, the borrowing costs have been capitalised at a rate of 5.24% (30 June 2015: 3.88%) per annum.

(b) Other items

Gain on disposal of property, plant and equipment	(1,091)	(337)
Government grants	(45,688)	(38,165)
Provision for impairment of receivables	—	329
Depreciation of property, plant and equipment	111,186	95,268
Amortisation of intangible assets	4,887	2,226
Amortisation of land use rights	3,173	2,539
Research and development costs	21,588	14,587

5. Income tax

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Current tax — PRC corporate income tax (“CIT”)	49,755	48,203
Deferred taxation	1,812	(932)
	<u>51,567</u>	<u>47,271</u>

All subsidiaries of the Company established and operated in PRC are subject to the Mainland China CIT at an applicable rate of 25%.

Shijiazhuang No. 4 Pharmaceutical Co., Ltd., Jiangsu Best New Medical Material Co., Ltd. (“Jiangsu Best”) and Hebei Guolong Pharmaceutical Co., Ltd. have been certified as High and New Technology Enterprises in 2015, 2014 and 2014, 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.

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\$210,428,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$250,501,000) and the weighted average of 2,815,760,000 ordinary shares (six months ended 30 June 2015: 2,968,527,000 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\$210,428,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$250,501,000) and the weighted average shares of 2,836,652,000 shares for the six months ended 30 June 2016 (six months ended 30 June 2015: 2,968,527,000 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	
	2016 '000	2015 '000
Weighted average number of ordinary shares at 30 June (basic)	2,815,760	2,968,527
Effect of deemed issue of shares under the Company's share option scheme	<u>20,892</u>	<u>—</u>
Weighted average number of ordinary shares at 30 June (diluted)	<u><u>2,836,652</u></u>	<u><u>2,968,527</u></u>

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 2016 HK\$'000	31 December 2015 HK\$'000
Within 3 months	784,084	824,016
4 to 6 months	102,804	95,599
7 to 12 months	46,870	19,171
1 to 2 years	<u>856</u>	<u>1,419</u>
	934,614	940,205
Less: Allowance for doubtful debts	<u>(4,685)</u>	<u>(4,779)</u>
	<u><u>929,929</u></u>	<u><u>935,426</u></u>

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 2016 HK\$'000	31 December 2015 HK\$'000
Within 3 months	157,149	186,821
4 to 6 months	49,917	55,824
7 to 12 months	11,033	22,481
1 to 3 years	2,321	3,520
More than 3 years	739	856
	<u>221,159</u>	<u>269,502</u>

9. Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK2.5 cents per share (30 June 2015: HK2.5 cents per share)	<u>71,115</u>	<u>70,463</u>

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

- (ii) No final dividend was proposed in respect of the years ended 31 December 2015 and 2014.

(b) Cancellation of shares

In January 2016, the Company repurchased 1,018,000 ordinary shares of the Company through the Stock Exchange at an aggregate consideration of approximately HK\$1,935,000 (including HK\$7,000 expenses directly attributable to the repurchase), which was subsequently cancelled in February 2016.

(c) *Equity settled share-based transactions*

Apart from the share options in issue carried forward from 2015, 122,000,000 share options were granted to Mr. Qu Jiguang, who is the Chairman of the Board, chief executive officer, an executive director and also a controlling shareholder of the Company at a consideration of HK\$1.00 (no share options were granted during the six months ended 30 June 2015) during the six months ended 30 June 2016. Each option entitles the holder to subscribe for one ordinary share in the Company. The exercise price is HK\$2.58, being the highest of (i) the closing price of HK\$2.58 per share as stated in the daily quotations sheet issued by the Stock Exchange on 15 April 2016; (ii) the average closing price of HK\$2.504 per share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding 15 April 2016; and (iii) the nominal value of a share.

The share options were approved by shareholders at the annual general meeting of the Company held on 27 May 2016. The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

During the six months ended 30 June 2016, 15,000,000 share options were exercised by one of management staff of the Group, who is not a director of the Company (no share options were exercised during the six months ended 30 June 2015) with an exercise price of HK\$1.98 and the total number of ordinary shares increased by 15,000,000.

(d) *Shares issued upon acquisition of a subsidiary*

On 30 September 2015, the Group completed the acquisition of 100% equity interests in Jiangsu Best at cash consideration of RMB181,500,000. According to the payment schedule in the equity sales and purchase agreement, the first payment consideration of RMB107,755,000 (equivalent to approximately HK\$131,281,000) was paid in 2015. The contingent considerations of RMB73,745,000 (equivalent to approximately HK\$89,845,000) (the “Contingent Considerations”) shall be payable by the Group to the former owners of Jiangsu Best (the “Vendors”) under certain conditions.

In 2016, the Group and the Vendors entered into further supplemental agreements (the “Further Supplemental Agreements”), pursuant to which the parties agreed to amend the payment terms and payment methods from cash payments to a combination of cash and ordinary shares of the Company (the “Consideration Shares”).

The Contingent Considerations shall be satisfied in the following manner:

- (A) RMB15,000,000 shall be payable in cash; and
- (B) the remaining balance shall be payable by the Company by issuing new Consideration Shares. The Consideration Shares will be issued to the Vendors at the price of the average closing price of the shares of the Company as quoted on the Stock Exchange for the last twenty consecutive trading days before 31 March 2016.

The Vendors warrant that the actual audited profit after tax before extraordinary items of Jiangsu Best (the “ANP”) for the year ending 31 December 2016 will be not less than RMB25,000,000 and agree to pledge 10,000,000 Consideration Shares (the “Pledged Shares”) in proportion to their original shareholding in Jiangsu Best to the Company in favour of Company upon the allotment and issue of the Consideration Shares (the “Issue Date”) from the Issue Date until one month after the date of the issue of the 2016 audited accounts of Jiangsu Best (the “Pledge Period”). If the ANP for the year ending 31 December 2016 falls below RMB25,000,000, the shortfall amount shall be (i) made up by the Vendors directly to the Company in proportion to their original shareholding during the Pledge Period, or (ii) made up by the proceeds from disposal of part of the Pledged Shares in proportion to their original shareholding in Jiangsu Best during the Pledge Period. Any remaining Pledged Shares shall be returned to the Vendors upon the release. The maximum amount to be made up by the Vendors to the Company pursuant to above will be the then market price of the Pledged Shares.

According to estimation of management of the Group, the ANP for the year ending 31 December 2016 will meet the conditions above.

The Group paid RMB79,622,200 to the Vendors in 2016 and issued 28,436,000 Consideration Shares to the Vendors at the issue price of HK\$2.429 per share on 11 April 2016. Accordingly, HK\$568,720 was credited to share capital and HK\$68,502,324 was credited to share premium.

Further details are respectively set out in the Company’s announcements dated 1 September 2015, 29 December 2015, 31 March 2016 and 11 April 2016.

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 2016, the cash and cash equivalents aggregated to HK\$373,323,000 (31 December 2015: HK\$338,964,000), of which HK\$321,523,000 (31 December 2015: HK\$267,969,000), HK\$50,192,000 (31 December 2015: HK\$64,672,000) and HK\$1,608,000 (31 December 2015: HK\$6,323,000) are denominated in RMB, Hong Kong dollars and other currencies respectively.

As at 30 June 2016, the balance of the borrowings amounted to HK\$1,771,418,000 (31 December 2015: HK\$1,813,093,000), of which HK\$965,394,000 (31 December 2015: HK\$760,343,000) and HK\$806,024,000 (31 December 2015: HK\$1,052,750,000) are denominated in RMB and Hong Kong dollars respectively.

Gearing ratio (defined as borrowings less cash and cash equivalents divided by total capital less non-controlling interests) decreased from 38.1% as at 31 December 2015 to 34.5% as at 30 June 2016 due to decrease in the Group’s net borrowings and increase in the Group’s net asset value as at 30 June 2016 as compared to 31 December 2015.

Current ratio (defined as current assets divided by current liabilities) improved from 1.14 as at 31 December 2015 to 1.44 as at 30 June 2016.

CHARGE ON ASSETS

As at 30 June 2016, the Group's land use right with carrying amount of HK\$47,602,000 (31 December 2015: HK\$49,247,000) and the Group's property, plant and equipments with carrying amount of HK\$49,538,000 (31 December 2015: HK\$57,119,000) were pledged as collateral for the Group's 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 2015	0.78887
30 June 2015	0.78861
1 January 2016	0.83778
30 June 2016	0.85467

MATERIAL ACQUISITIONS AND DISPOSALS

In 2015, the Group acquired 100% equity interest in Jiangsu Best. Pursuant to the supplemental agreements entered into between the Group and the former owners of Jiangsu Best (the "Vendors") in 2016, a total of 28,436,000 ordinary shares of the Company (representing approximately 1.00% of the Company's issued capital as enlarged by the issue of new shares) were allotted and issued to the Vendors on 11 April 2016 at the issue price of HK\$2.429 per share ("Consideration Shares"). The Consideration Shares were allotted and issued pursuant to the General Mandate granted to the Directors at the annual general meeting in 2015. Please refer to the Company's announcements dated 1 September 2015, 29 December 2015, 31 March 2016 and 11 April 2016 for details of the transactions.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save for the purchase of a total of 1,018,000 shares which details are set out in the following paragraphs, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the six months ended 30 June 2016.

Date of the purchase	Total number of the ordinary shares purchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate consideration (HK\$)
21 January 2016	1,018,000	1.91	1.88	1,928,090

The abovementioned shares were subsequently cancelled in February 2016.

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 of 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”). The Scheme Mandate was refreshed at the annual general meeting held on 27 May 2016, and 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 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 2016, a total of 15,000,000 share options were exercised by one of management staff of the Group who was not a Director of the Company. As a result, a total of 15,000,000 ordinary shares of the Company was issued on 8 June 2016.

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. Please refer details of grant of share options to the Company’s announcement dated 15 April 2016.

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

	Six months ended 30 June 2016	Year ended 31 December 2015
Outstanding at the beginning of the period/year	122,000,000	—
Granted during the period/year	122,000,000	122,000,000
Exercised during the period/year	(15,000,000)	—
Lapsed during the period/year	<u>—</u>	<u>—</u>
Outstanding and exercisable at the end of the period/year	<u>229,000,000</u>	<u>122,000,000</u>

As at 30 June 2016, the share options granted under Share Option Scheme and remained outstanding had an weighted average exercise price of approximately HK\$2.30 (31 December 2015: HK\$1.98) and a remaining contractual life of approximately 3 years and 7 months (31 December 2015: 2 years and 10 months).

The details of share options movements during the six months ended 30 June 2016 are shown as follows:

(i) Directors of the Company

Name of Director	Date of grant	Exercise price per share	Exercisable period	Number of share options			
				Outstanding at 1 Jan 2016	Granted during the period	Exercised during the period	Outstanding at 30 Jun 2016
Mr. Qu Jiguang	15 Apr 2016	HK\$2.58	15 Apr 2016 — 14 Apr 2021	—	122,000,000	—	122,000,000
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
				<u>48,832,000</u>	<u>122,000,000</u>	<u>—</u>	<u>170,832,000</u>

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

Date of grant	Exercise price per share	Exercisable period	Number of share options			
			Outstanding at 1 Jan 2016	Granted during the period	Exercised during the period	Outstanding at 30 Jun 2016
19 Oct 2015	HK\$1.98	19 Oct 2015 — 18 Oct 2018	73,168,000	—	(15,000,000)	58,168,000
			<u>73,168,000</u>	<u>—</u>	<u>(15,000,000)</u>	<u>58,168,000</u>

For the 122,000,000 share options granted during the period ended 30 June 2016, the fair value as at date of grant was HK\$26,686,000. Assuming that all share options outstanding as at 30 June 2016 are exercised, the Company will receive proceeds of HK\$526,620,000.

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 30 August 2016, and at all times during the six months ended 30 June 2016.

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 2016.

INTERIM DIVIDENDS

The Directors resolved to pay on 30 September 2016 an interim dividend of HK2.5 cents per share (amounting to a total of approximately HK\$71,115,000) for the six months ended 30 June 2016 (30 June 2015: HK2.5 cents per share) to the shareholders named in the register of members of the Company on 19 September 2016.

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 period ended 30 June 2016, 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 2016 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 shareholders.

AUDIT COMMITTEE

The Audit Committee has reviewed and approved the interim financial information contained in this announcement of interim results for the six months ended 30 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 20 September 2016 to Thursday, 22 September 2016 (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 of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Monday, 19 September 2016.

PUBLICATION OF THE INTERIM REPORT

The interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on Hong Kong Exchanges and Clearing Limited’s website (www.hkex.com.hk) and the Company’s website (www.ssygroup.com.hk) in due course.

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

On behalf of the Board

Qu Jiguang

Chairman

Hong Kong, 30 August 2016

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