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石四藥集團有限公司 SSY Group Limited

(formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd. 利君國際醫藥(控股)有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015.

I. RESULT AND DIVIDEND DISTRIBUTION

In the first half of the year, China has been promulgating key policies relating to the development of pharmaceutical industry, such as perfecting the centralized drug procurement in public hospitals and driving the reformation of drug prices. The pharmaceutical industry was in the critical period of transformation and upgrade. New policies in the industry have a relative large impact to the pharmaceutical market. Low price tender strategy continued, and the execution of tender was slower than expected. Moreover, the market demand was insufficient and competition continued to be intense. In the face of numbers of unprecedented difficulties, the Group sustained strong momentum of growth for its operating results through different measures including adjustment of tendering strategies, enhancement of product mix, development of new markets and acceleration of the research and development of new products. As a result, the Company has further expanded the market share, continued to improve the operation scale and innovation power and consequently achieved a hard-won result. In the first half of the year, the Group realized revenue of HK\$1,061 million, and net profit of HK\$251 million.

The Directors resolved to pay on 25 September 2015 an interim dividend of HK2.5 cents per share (amounting to a total of approximately HK\$70,463,000) for the six months ended 30 June 2015 to the shareholders named in the register of members of the Company on 15 September 2015.

II. BUSINESS REVIEW

Revenue

For the six months ended 30 June 2015, the revenue of the Group from continuing operations increased from HK\$996,435,000 for the corresponding period last year by 6.5% to HK\$1,061,389,000.

	For the six months ended 30 June				
	2015		2014		
	Sales HK\$'000	Percentage of sales %	Sales HK\$'000	Percentage of sales %	Change %
Intravenous infusion solution	963,115	90.7	930,876	93.4	3.5
(Including: Non-PVC soft bag &					
upright soft bag					
infusion solution	596,612	56.2	545,900	54.8	9.3
PP plastic bottle					
infusion solution	238,341	22.4	279,586	28.1	-14.8
Glass bottle infusion					
solution	128,162	12.1	105,390	10.5	21.6
Other products and services	98,274	9.3	65,559	6.6	49.9
Total	1,061,389	100	996,435	100	6.5

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. Starting from 2015, there are 4 forms of packing in intravenous infusion products, namely Non-PVC Soft Bag, Upright Soft Bag, PP Plastic Bottle and Glass Bottle.

(I) Sales of Products

We reinforce our business advantage and expand our market share. Under the influences of factors including the environment of macro-economy, delay in drug procurement tender in various regional governments, release of manufactures' production capacity under the new GMP certification and the continuous decrease in infusion solution price, the Group adapted to the "new normal" from the changes in pharmaceutical market and adhered to the principle of seeking development through structural change. The monitoring and evaluation of marketing internal management is strengthened by readjusting the marketing resources. The timing and opportunity of winning the tender in centralized

drug procurement in Anhui, Hainan, Zhejiang, Hunan, Hubei and Sichuan is captured. The marketing of infusion solution products which had higher additional value such as non-PVC soft bags, upright soft bags and therapeutic infusion solutions is focused. The Group also speeded up the improvement of quality and efficiency of the sales in key region markets; ensured sales growth and as the same time improved operating efficiency; effectively controlled account receivable and ensured the collection of fund. Moreover, based on the foundation of reinforcing and expanding the existing advantages in province and city end markets, the Group took advantage of its respected brand name; turned the focus to the lower end of the market; focused its resources to develop the grassroots healthcare market; and continued to expand the coverage of advantaged infusion solution products, so as to ensure the continuous growth of the sales of major products. Meanwhile, by entering into the centralized drug procurement tender in certain provinces and regions, the Group developed the traditional and emerging markets in Shaanxi, Shanxi, Yunnan and Heilongjiang, which lay a solid foundation for increasing production capacity. From January to June 2015, the sales volume of intravenous infusion solutions amounted to 481 million bottles /bags, representing a year-on-year increase of 11%; sales volume of soft bag infusion solution products reached 230 million, representing an increase of 21%, of which the sales volume of upright soft bag reached 35 million, representing a year-on-year increase of 473%; However, due to the impact of the decrease in selling prices of products, the sales revenue of infusion solution products only recorded a year-on-year increase of 3.5%. Under the influences of key factors such as the decrease in production utilization rate and the increase in expenses in new market development, both the gross profit margin and net profit margin recorded a decrease to a certain extent. The net profit decreased 3.6% during the period.

We speed up the implementation of “going overseas” strategy and continuously explore foreign markets. Currently 51 product specifications have completed registration procedures in 37 countries. However, as influenced by the tension in key market regions (particularly in Southeast Asia and Mid-Asia), export sales recorded a relatively sharp decline.

(II) Research and Development of New Products

The Company’s innovation capability and strength were further reinforced and the construction of the innovation platform was perfected. In the first half of the year, the Company completed the clinical research of Type 1.1 new drug Levornidazole and Type 3.1 new drug Blonanserin, and the relevant application of production registration will be submitted in the second half of the year. The clinical research of Type 3.1 new drug Lacosamide is in good progress.

In the first half of the year, the Group obtained permits and approval for 30 products, including the production permits for transformations of compound Mannitol Injection into soft bags and 20ml: 10g glucose injection PP ampoule; as well as clinical approval for Levamlodipine Besylate Tablets. The Company also has 22 new products applications

including Type 3 and Type 6 chemical medicines. Meanwhile, the Company also obtained 4 practical new patents and applied national invention patents for 13 items.

We proactively explored the path for R&D in strategic emerging industry and innovative system establishment. In the beginning of the year, the Company successfully cooperated with Hebei Hanlin Biotechnology Co., Ltd in commencing the clinical diagnosis and biochemical reagent of biological polypeptides and antibodies, which improved the capacity and level of innovative driver, and maintained the sustainable development of the Company. In the first half of the year, Hebei Hanlin obtained 6 production approvals on serum free media for stem cell.

(III) Key Projects

The construction works for infrastructure in the relocation and upgrade of the Shijiazhuang No. 4 Pharma headquarters has completed on schedule. The 8 infusion solution production lines developed in the early stages, which passed the national new GMP certification last year, has all reached designed capacities and efficiencies now. As a result, the total production capacity of the Group reached 1.5 billion bottles /bags, and the scale advantage of production and sales of the Company has been further manifested. The subsequent Chinese medicine extraction and production project and small liquid injections production project have entered commissioning and testing phases. It is expected that the application of national GMP certification will commence in the third quarter and a new production scale will be created, which will have positive influence to the promotion of growth of scale generally, and also to the optimization, integration and adjustment of product mix.

III. PROSPECTS FOR DEVELOPMENT

Looking forward to the second half of year 2015, pharmaceutical industry will still be significantly influenced by national and regional medical reformation policies. Opportunities and challenges will coexist. The Company will address to the difficulties; capitalize on its scale and own advantages; further optimize product mix and implement lean management; actively implement variety R&D and marketing measures; improve the profitability of infusion solution products; ensure the leading position of the Company in production and sales volumes of soft bags infusion solution products in the industry; and strive for realizing continuous and rapid growth of sales and profit.

We will focus on the follow-up works of the tender in bid-winning markets of non-PVC standard soft bags and upright 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 Company will strive to ensure its advantages in the market.

We will actively enter competition in international market, accelerate the pace of international registration and certification of our products, and continuously expand the export channels and production scale of infusion solution, so as to maintain a steady growth of foreign trade sales.

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

In respect of new product development, the application of production permit of Type 1.1 new drug Levornidazole and Type 3.1 new drug Blonanserin has to be completed in the second half of the year. The clinical research of Type 3.1 new drug Lacosamide will continue, and the Company will strive for completing its application of production permit in next year. Currently, there are 17 Type 3 new chemical drugs of 39 different product specifications in the progress of approval by the State's Centre for Drug Evaluation.

The production permits for 2000ml glycine rinsing solution is expected to be obtained in 2015. It is planned to obtain 15 permits for packaging materials registration including three-layer co-extruding double-chamber infusion bags; 5 clinical approvals including Type 3 chemical drug Roflumilast material and tablets. With the aim of tracking the dynamics of development of innovation drugs in the international arena and thereby speeding up the launch of Type 3 new drugs as the first company in China, we will carry out 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. It is planned that around 14 product specifications of various drug types will be submitted for approval in the second half of 2015, with the objective of providing momentum for the Company's future development.

We will complete the GMP certification for PP ampoule production line, in order to ensure that it can commence production in 2016. We will commit to the development of antibodies and biotechnology, commence the preparation for construction of the production facilities for media for cells, so as to provide the infrastructure for the industrialization of the products of Hebei Hanlin, and propel the Company's variety and transformation in innovation.

Moreover, we will maintain advantage of the Company in terms of quality and management. We will take the opportunity of the production certification of small liquid injections, Chinese medicine extraction and oral preparation to improve our product quality. We will also commit to implement lean production and cost refined management. At the same time, we will pay attention to cost and expense, increase the use of self-produced packaging material in infusion solution production, maximize cost control and profitability, so as to lay a solid foundation and management for the Company's development.

In short, facing the tough market conditions, the Group will make active responses, use innovation to drive and use all means to expand the sales market. We will improve the quality and efficiency of our operation, and endeavor to generate satisfactory returns for investors. We are fully confident in the future development of the Company.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month ended 30 June 2015

(All amount in HK\$ unless otherwise stated)

	Note	Unaudited Six months ended 30 June	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Represented)
Continuing operations				
Revenue	3	1,061,389	996,435	
Cost of sales		(567,681)	(479,753)	
Gross profit		493,708	516,682	
Other income and other gains — net		38,114	16,844	
Selling and marketing costs		(116,640)	(95,834)	
General and administrative expenses		(98,256)	(96,439)	
Operating profit	4	316,926	341,253	
Finance income		1,702	2,509	
Finance costs		(20,819)	(29,968)	
Finance costs — net		(19,117)	(27,459)	
Profit before income tax		297,809	313,794	
Income tax expenses	5	(47,271)	(53,830)	
Profit for the period from continuing operations		250,538	259,964	
Discontinued operations				
Profit for the period from discontinued operations		—	40,674	
Profit for the period		250,538	300,638	
Other comprehensive income:				
<i>Items that may be reclassified to profit or loss</i>				
Currency translation differences		986	(26,603)	
Total comprehensive income for the period		251,524	274,035	
Profit attributable to:				
— Equity holders of the Company		250,501	300,627	
— Non-controlling interests		37	11	
250,538		300,638		

	<i>Note</i>	Unaudited Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000 (Represented)
Profit attributable to equity holders of the Company arises from:			
— Continuing operations		250,501	259,953
— Discontinued operations		—	40,674
		250,501	300,627
Total comprehensive income attributable to:			
— Equity holders of the Company		251,486	274,030
— Non-controlling interests		38	5
		251,524	274,035
Total comprehensive income attributable to equity holders of the Company arises from			
— Continuing operations		251,486	233,356
— Discontinued operations		—	40,674
		251,486	274,030
Earnings per share from continuing and discontinued operations attributable to equity holders of the Company during the period (expressed in HK\$ per share)			
Basic earnings per share			
— From continuing operations	6	0.0844	0.0887
— From discontinued operations	6	—	0.0139
		0.0844	0.1026
Diluted earnings per share			
— From continuing operations	6	0.0844	0.0884
— From discontinued operations	6	—	0.0138
		0.0844	0.1022
		Unaudited Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Dividends (proposed)	7	70,463	177,236

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

(All amount in HK\$ unless otherwise stated)

	Unaudited 30 June 2015 <i>Note</i>	Audited 31 December 2014 <i>HK\$'000</i>
ASSETS		
Non-current assets		
Land use rights	221,250	223,715
Property, plant and equipment	2,636,057	2,551,898
Intangible assets	341,509	338,834
Deferred income tax assets	3,294	2,591
Investments in a joint venture	24,974	—
Other non-current assets	26,629	—
Total non-current assets	3,253,713	3,117,038
Current assets		
Inventories	274,360	279,557
Trade and bills receivables	921,795	703,287
Prepayments, deposits and other receivables	91,051	372,549
Cash and cash equivalents	379,565	325,224
Total current assets	1,666,771	1,680,617
Total assets	4,920,484	4,797,655
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	66,177	66,177
Reserves	10	
— Proposed dividends	70,463	510,587
— Others	2,856,761	2,675,738
	2,993,401	3,252,502
Non-controlling interests	706	668
Total equity	2,994,107	3,253,170

	Unaudited 30 June 2015	Audited 31 December 2014
	<i>Note</i>	<i>HK\$'000</i>
LIABILITIES		
Non-current liabilities		
Borrowings		663,427
Deferred income tax liabilities		23,874
Deferred revenue		6,538
Post-employment benefit obligation		7
		<hr/>
Total non-current liabilities		693,846
		<hr/>
Current liabilities		
Borrowings		551,608
Trade and bills payables	9	316,620
Advanced receipts from customers		7,262
Accruals and other payables		326,233
Income tax payable		30,808
		<hr/>
Total current liabilities		1,232,531
		<hr/>
Total liabilities		1,926,377
		<hr/>
Total equity and liabilities		4,920,484
		<hr/>

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

This interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34, ‘Interim financial reporting’. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2014, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2015:

HKFRS 8 (Amendment) “Operating segments” is effective for annual periods beginning on or after 1 July 2014. This standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity’s assets when segment assets are reported.

HKAS 24 (Amendment) “Related Party Disclosures” is effective for annual periods beginning on or after 1 July 2014. This standard is amended to address that the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity’s employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

HKAS 39, ‘Financial instruments – Recognition and measurement’ are effective for annual periods beginning on or after 1 July 2014. This standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32,’Financial instruments: Presentation’. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group’s operating results, financial position or comprehensive income.

- (b) Standards, amendments and interpretations to existing standards effective in 2015 but not relevant to the Group**

Effective for annual periods beginning on or after		
HKAS 19 (Amendment)	Defined benefit plans	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 2 (Amendment)	Share-based payment	1 July 2014
HKFRS 3 (Amendment)	Business combinations	1 July 2014
HKAS 37	Provisions, contingent liabilities and contingent assets	1 July 2014
HKFRS 16 (Amendment)	Property, plant and equipment	1 July 2014
HKAS 38 (Amendment)	Intangible assets	1 July 2014

- (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group:**

Effective for annual periods beginning on or after		
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants	1 January 2016
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception	1 January 2016
HKAS 1 (Amendments)	Disclosure initiative	1 January 2016
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7 (Amendments)	Financial instruments: Disclosures	1 January 2016
HKAS 19 (Amendment)	Employee benefits	1 January 2016
HKAS 34 (Amendment)	Interim financial reporting	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

3. Segment information

After the disposal of the product segments of antibiotics and others on 31 October 2014, the decision-makers consider that the Group's operations are operated and managed as a single segment of intravenous infusion and others, no segment information is presented accordingly.

	Unaudited		
	Continuing operations		
Intravenous infusion solution and others	Unallocated	Total	Discontinued operations - Antibiotics and others
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2015			
Revenue	1,061,389	—	1,061,389
Operating profit/(loss) segment results	325,338	(8,412)	316,926
Finance income	802	900	1,702
Finance costs	(20,728)	(91)	(20,819)
Profit/(loss) before income tax	305,412	(7,603)	297,809
Income tax expenses	(47,271)	—	(47,271)
Profit/(loss) for the period	258,141	(7,603)	250,538

	Unaudited		
	Continuing operations		
Intravenous infusion solution and others	Unallocated	Total	Discontinued operations - Antibiotics and others
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2014			
Revenue	996,435	—	996,435
Operating profit/(loss) segment results	349,673	(8,420)	341,253
Finance income	2,509	—	2,509
Finance costs	(29,446)	(522)	(29,968)
Profit/(loss) before income tax	322,736	(8,942)	313,794
Income tax expenses	(47,800)	(6,030)	(53,830)
Profit/(loss) for the period	274,936	(14,972)	259,964
			40,674

	Unaudited		
	Continuing operations		
	Intravenous infusion solution and others	Unallocated	Discontinued operations - Antibiotics and others
	HK\$'000	HK\$'000	HK\$'000
As at 30 June 2015			
Total assets	4,819,179	101,305	4,920,484
Total liabilities	1,914,009	12,368	1,926,377
	Audited		
	Continuing operations		
	Intravenous infusion solution and others	Unallocated	Discontinued operations - Antibiotics and others
	HK\$ '000	HK\$ '000	HK\$ '000
As at 31 December 2014			
Total assets	4,341,102	456,553	4,797,655
Total liabilities	1,532,119	12,366	1,544,485
4. Operating profit arises from continuing operations			
	Unaudited Six months ended 30 June		
	2015	2014	
	HK\$'000	HK\$'000	
Gain on disposal of property, plant and equipment	(337)	(2,610)	
Government grants	(38,165)	(16,844)	
Depreciation of property, plant and equipment	95,268	67,414	
Provision for impairment of receivables	329	—	
Amortisation of intangible assets	2,226	1,723	
Amortisation of land use rights	2,539	1,449	
Foreign exchange (gain)/loss, net	(1,089)	5,870	

5. Income tax expenses

The Company is incorporated in the Cayman Islands as an exempted company and, accordingly, is exempted from payment of the Cayman Islands income tax. The Company had no assessable profits in Hong Kong and, accordingly, no Hong Kong profits tax was provided.

New Orient Investments Pharmaceutical Holding (Hong Kong) Limited, the subsidiary of the Company, is subject to Hong Kong profits tax at the rate of 16.5% (2014: 16.5%) on its estimated assessable profit.

All subsidiaries of the Company established and operated in PRC are subject to Mainland China Corporate Income Tax (“CIT”) at an applicable rate of 25%.

Shijiazhuang No. 4 Pharmaceutical Co., Ltd. has been recognised as a High and New Tech Enterprises in 2012 and is in the process of renewal in 2015. Based on the historical experience and the continuing investment in its research and development activities, the management of the Company makes a reasonable estimation that Shijiazhuang No. 4 Pharmaceutical Co., Ltd. will complete the renewal in the second half year of 2015. Hebei Guolong Pharmaceutical Co., Ltd. has been recognised as a High and New Tech Enterprise in 2014. According to the tax incentives rules of the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”) for High and New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

According to the PRC CIT Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong. Deferred income 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.

As at 30 June 2015, deferred income tax liabilities of HK\$95,013,000 (31 December 2014: HK\$82,154,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries that derived since 1 January 2008. Such amounts are permanently reinvested. Unremitted earnings totalled HK\$1,900,262,000 (31 December 2014: HK\$1,643,085,000) at 30 June 2015.

The amounts of taxation charged to the interim condensed consolidated statement of comprehensive income:

	Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000 (Represented)
PRC current income tax		
— CIT	48,203	41,893
— Withholding tax of profits distribution by the PRC subsidiaries	—	6,030
Deferred income tax	(932)	5,907
	<hr/>	<hr/>
	47,271	53,830
	<hr/>	<hr/>

6. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000 (Represented)
Profit attributable to equity holders of the Company arises from continuing operations	250,501	259,953
Profit attributable to equity holders of the Company arises from discontinued operations	—	40,674
	250,501	300,627
Weighted average number of ordinary shares in issue (thousands)	2,968,527	2,930,721
Basic earnings per share (HK\$ per share)		
Profit attributable to equity holders of the Company arises from continuing operations	0.0844	0.0887
Profit attributable to equity holders of the Company arises from discontinued operations	—	0.0139
	0.0844	0.1026

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Represented)	
Profit attributable to equity holders of the Company arises from continuing operations	250,501	259,953
Profit attributable to equity holders of the Company arises from discontinued operations	—	40,674
	250,501	300,627
Weighted average number of ordinary shares in issue (thousands)	2,968,527	2,930,721
Adjustment for share options (thousands)	—	11,497
	2,968,527	2,942,218
Diluted earnings per share (HK\$ per share)		
Profit attributable to equity holders of the Company arises from continuing operations	0.0844	0.0884
Profit attributable to equity holders of the Company arises from discontinued operations	—	0.0138
	0.0844	0.1022

7. Dividends

	Unaudited Six months ended 30 June	2015 HK\$'000	2014 HK\$'000
Dividend, proposed, of HK\$ 2.5 cents (six months ended 30 June 2014: HK\$ 6 cents) per ordinary share	<u>70,463</u>	<u>177,236</u>	

At a meeting held on 31 August 2015, the directors recommended the payment of a dividend of totalling approximately HK\$70,463,000 in respect of the six months ended 30 June 2015, which is calculated based on HK\$2.5 cents per ordinary share, and 2,818,527,385 ordinary shares in issue following the completion of the Offer (the “Shares”). The Shares are 2,968,527,385 ordinary shares in issue as at 30 June 2015, reduced by 150,000,000 ordinary shares repurchased assuming that there is full acceptance of the Offer by the qualifying shareholders up to the maximum number of ordinary share. The proposed dividend has not been reflected as a dividend payable in this interim condensed consolidated financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2015.

8. Trade and bills receivables

The Group generally requires its customers to settle sales invoices within 3 months. Ageing analysis of trade and bills receivables based on revenue recognition date is as follows:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Within 3 months	807,038	622,886
4 to 6 months	96,923	67,093
7 to 12 months	18,788	14,791
1 to 2 years	1,955	1,097
	<hr/>	<hr/>
	924,704	705,867
<i>Less: Provision for impairment</i>	<hr/> (2,909)	<hr/> (2,580)
	<hr/> 921,795	<hr/> 703,287

9. Trade and bills payables

Ageing analysis of trade and bills payables is as follows:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Within 3 months	208,889	232,963
4 to 6 months	87,340	41,608
7 to 12 months	17,630	10,679
1 to 3 years	1,792	1,942
More than 3 years	969	528
	316,620	287,720

10. Reserves

	Unaudited						Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Share-based payment reserve HK\$'000	Currency translation differences HK\$'000	Retained earnings HK\$'000	
At 1 January 2015	1,313,850	176,819	176,049	—	146,197	1,373,410	3,186,325
Dividends paid to equity holders of the Company	(212,125)	—	—	—	—	(298,462)	(510,587)
Profit for the period	—	—	—	—	—	250,501	250,501
Currency translation differences	—	—	738	—	247	—	985
At 30 June 2015	1,101,725	176,819	176,787	—	146,444	1,325,449	2,927,224
At 1 January 2014	1,262,730	176,819	273,859	15,530	161,407	910,519	2,800,864
Dividends paid to equity holders of the Company	—	—	—	—	—	(58,599)	(58,599)
Profit for the period	—	—	—	—	—	300,627	300,627
Issuance of shares — exercise of share options	35,120	—	—	—	—	—	35,120
Currency translation differences	—	—	(2,644)	—	(23,953)	—	(26,597)
At 30 June 2014	1,297,850	176,819	271,215	15,530	137,454	1,152,547	3,051,415

LIQUIDITY AND FINANCIAL RESOURCES

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 operating cash flow is insufficient to meet the capital requirements.

As at 30 June 2015, the cash and cash equivalents aggregated to HK\$379,565,000 (31 December 2014: HK\$325,224,000) and the carrying amounts of the borrowings amounted to HK\$1,215,035,000 (31 December 2014: HK\$871,927,000).

Gearing ratio (defined as bank borrowings less cash and cash equivalents divided by total capital less non-controlling interests) increased from 14.4% as at 31 December 2014 to 21.8% as at 30 June 2015.

Current ratio (defined as current assets divided by current liabilities) decreased from 1.46 as at 31 December 2014 to 1.35 as at 30 June 2015.

FOREIGN EXCHANGE RISK

Majority of the Group's businesses are operated in the PRC and are denominated in Renminbi and Hong Kong dollars. The Group is of the opinion that its exposure to foreign exchange rate risk is limited. Hence, no financial instrument for hedging was employed. The Group is closely monitoring the financial market and would consider appropriate measures if required.

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2015.

PLEDGE OF ASSETS

As at 30 June 2015, the net book amount of the Group's land use right of HK\$59,974,000 (31 December 2014: HK\$60,760,000) and the net book amount of the Group's buildings, plant and machineries of HK\$129,346,000 (31 December 2014: HK\$301,820,000) were pledged as collateral for the Group's bank borrowings.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities.

EXCHANGE RATE

As at 2015 and 2014, the exchange rates of converting HK\$ into RMB (as calculated in HK\$) were:

1 January 2014	0.78623
30 June 2014	0.79375
31 December 2014	0.78887
30 June 2015	0.78861

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 2015.

SHARE OPTION SCHEME

Old Share Option Scheme

Pursuant to a share option scheme approved by a written resolution of all shareholders of the Company on 16 October 2005 ("Old Share Option Scheme"), the Company may grant options to, amongst others, the directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for the shares. The offer for grant of options ("Offer") must be taken up within 28 days from the date of Offer, with a payment of HK\$1.00 as consideration for the grant. The exercise price of the share option will be determined at the higher of (i) the average closing prices of shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of Offer; (ii) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of Offer; and (iii) the nominal value of the shares. The share options are exercisable at any time during a period of not more than 10 years from the date of Offer, subject to the terms and conditions of the Share Option Scheme and any conditions of grant as may be stipulated by the Board. Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares in issue as at the date dealings in the shares first commence on the Stock Exchange unless further shareholders' approval has been obtained pursuant to the conditions set out in the Share Option Scheme. The total number of shares issued and to be issued upon exercise of all options granted under the Share Option Scheme and any other schemes (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

As at 7 August 2008, the Company granted 100,000,000 share options to directors and senior management of the Group, representing about 4.93% of the issued share capital as at the date immediately before the options were granted. The exercise price was HK\$0.7. The exercisable period is from 7 August 2008 to 6 August 2018. As at 4 October 2010, all of the share options granted were exercised.

The Board proposed the termination of Old Share Option Scheme and the adoption of the existing share option scheme (“Existing Share Option Scheme”) which were approved by an ordinary resolution passed by the shareholders at the EGM held on 20 September 2012. The operation of Old Share Option Scheme was terminated such that no further share option could thereafter be offered under Old Share Option Scheme but in all other respects the provisions of Old Share Option Scheme shall remain in full force and effect.

As at 3 May 2012, the Company granted 48,000,000 share options (being adjusted from 40,000,000 share options as a result of the issue of bonus shares on 16 October 2012) to two then directors of the Group under Old Share Option Scheme, representing about 1.64% of the issued share capital as at the date immediately before the options were granted. The exercise price was HK\$1.48 (being adjusted from HK\$1.78 as a result of the issue of bonus shares on 16 October 2012). The exercisable period was from 3 May 2012 to 2 May 2022.

On 24 June 2014, 24,000,000 share options (being adjusted from 20,000,000 share options as a result of the issuance of bonus shares on 16 October 2012) were exercised by a current director. And on 17 November 2014, 24,000,000 share options (being adjusted from 20,000,000 share options as a result of the issuance of bonus shares on 16 October 2012) were exercised by a ex-director of the Company who resigned on 6 June 2014. Options exercised in 2014 resulted in 48,000,000 ordinary shares being issued at HK\$0.02 each. The exercise price was HK\$1.48 per share (being adjusted from HK\$1.78 as a result of issuance of bonus share on 16 October 2012). The total cash received is HK\$71,200,000. The weighted average share price at the time of exercise was \$3.42 per share.

Movements in the number of share options outstanding is as follows:

	2014 (thousands)	2013 (thousands)
Outstanding at the beginning of the year	48,000	48,000
Granted during the year	—	—
Exercised during the year	(48,000)	—
 Outstanding and exercisable at the end of the year (<i>Note</i>)	 <hr/>	 <hr/>
	—	48,000

Note: As at 31 December 2013, the options outstanding had an weighted average exercise price of HK\$1.48 and a remaining contractual life of 8.5 years. As at 31 December 2014, all of the share options granted had been exercised and hence there was no outstanding nor exercisable share options under the Old Share Option Scheme.

Existing Share Option Scheme

Existing 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 Existing Share Option Scheme is to enable the Board to grant share options to the Eligible Person as defined in Existing 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 Existing 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 Existing 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 Existing 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 Existing 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 Existing 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 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 Existing 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 Existing Share Option Scheme.

As at 30 June 2015, no option has been granted under Existing Share Option Scheme since its adoption.

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 31 August 2015, and at all times during the six months ended 30 June 2015.

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 2015.

INTERIM DIVIDENDS

The Directors resolved to pay on 25 September 2015 an interim dividend of HK2.5 cents per share (amounting to a total of approximately HK\$70,463,000) for the six months ended 30 June 2015 to the shareholders named in the register of members of the Company on 15 September 2015.

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 2015, 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 Information for the six months ended 30 June 2015 has been reviewed by the auditor of the Company, PricewaterhouseCoopers, 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.

AUDIT COMMITTEE

The Audit Committee has reviewed and approved the Interim Financial Information for the six months ended 30 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 September 2015 to Friday, 18 September 2015 (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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Tuesday, 15 September 2015.

PUBLICATION OF THE INTERIM REPORT

The 2015 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, 31 August 2015

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.