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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015**

On behalf of the board of directors (the “Board”) of SSY Group Limited (the “Company”), I hereby present the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015.

### **I. RESULT AND DIVIDEND DISTRIBUTION**

The entire pharmaceutical market showed sluggish demands with escalating competitions during the year. Tenders for pharmaceuticals across the regions saw a slow progress as the low price tender strategy continued. The applications for intravenous infusion solution were limited and the prices of products declined. Facing numerous unprecedented difficulties, the Group achieved hard-won results with a stable growth sustained both in market share and operation under the tremendous pressure from the industry as a whole through different measures, including adjustments for tender strategies, enhancement of product mix, development of new markets and products and reduction of production and operating costs.

During the year, revenue increased by 6.2% compared to last year to HK\$2,222 million while the net profits from continuing operations amounted to HK\$403 million, representing a year-on-year decrease of 17.9%.

During the year, the Company distributed a special dividend of approximately HK\$510 million and repurchased shares of approximately HK\$530 million, resulting a decrease in the Group’s net asset value. As such, the Company has resolved not to declare any final dividend. We would like to emphasize that dividends distribution to shareholders will continue on an annual basis.

## II. BUSINESS REVIEW

### Revenue

For the year ended 31 December 2015, the revenue of the Group from continuing operations amounted to approximately HK\$2,221,921,000, representing an increase of 6.2% as compared to HK\$2,091,471,000 in last year. A breakdown of the revenue of the Group for the year ended 31 December 2015 is set out as follows:

|   | 2015                     |                             | 2014                     |                             | Increase/<br>(decrease)<br>% |
|---|--------------------------|-----------------------------|--------------------------|-----------------------------|------------------------------|
|   | Sales<br><i>HK\$'000</i> | Percentage<br>of sales<br>% | Sales<br><i>HK\$'000</i> | Percentage<br>of sales<br>% |                              |
| Intravenous infusion solution and others                          | <b>2,175,536</b>         | <b>97.9</b>                 | 2,091,471                | 100                         | 4.0                          |
| (Including: Non-PVC soft bag & upright soft bag infusion solution | <b>1,278,288</b>         | <b>57.5</b>                 | 1,139,167                | 54.5                        | 12.2                         |
| PP plastic bottle infusion solution                               | <b>502,196</b>           | <b>22.6</b>                 | 555,842                  | 26.6                        | (9.7)                        |
| Glass bottle infusion solution                                    | <b>226,244</b>           | <b>10.2</b>                 | 245,656                  | 11.7                        | (7.9)                        |
| Others)   | <b>168,808</b>           | <b>7.6</b>                  | 150,806                  | 7.2                         | 11.9                         |
| Medical materials   | <u>46,385</u>            | <u>2.1</u>                  | —                        | —                           | N/A                          |
| Total   | <u><b>2,221,921</b></u>  | <u><b>100</b></u>           | <u>2,091,471</u>         | <u>100</u>                  | <u>6.2</u>                   |

### (1) Sales of Products

Based on the foundation of reinforcing and expanding the existing advantages in provincial and city level markets, the Company took advantage of its respected brand name during 2015 to shift the focus to the lower end of the market, devoted its efforts to develop the primary healthcare market and continue to expand the end-coverage of the Company's advantageous products such as soft bag infusion solutions and therapeutic infusion solutions, thereby ensuring the continuous growth of the our major products. We also participated in the tendering of certain provinces and regions in order to develop new markets and expand the market presence of our products.

On the other hand, in view of mitigating the adverse effects brought by industry and pricing policies, the Group closely integrated its production and operation as well as constantly improved the efficiency of operating facilities by means of strengthened and optimised management, for example, proactive implementation of technical innovations such as integrated bottle ring pull, efficient utilisation of energy (water, electricity and gas, etc.), monitoring the purchase, production and utilisation of packaging materials, raw materials and auxiliary material (plastic granules and co-extrusion film, etc.) and taking structural adjustments and costs reduction as key measures to improve quality and enhance efficiency.

During 2015, the Company completed sales of approximately 397 millions of standard soft bags and approximately 97 millions of upright soft bags, representing an increase of approximately 7% and 250% respectively as compared to last year. The dominance of our core products was further recognised.

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

The research and development of new products made a satisfactory progress during the year. The Company completed the clinical research of Type 1.1 new drug Levornidazole and Type 3.1 new drug Blonanserin, obtained clinical approvals for Type 3.1 new drugs including Roflumilast Tablets, Acetaminophen Injection, Ibuprofen & Sodium chloride Injection and over 30 items of mainly Type 6 new drugs as well as other applications' approvals. The Company submitted applications for 22 new drugs products of various types while more than a hundred of products were under development, covering mental and neurological diseases, respiratory diseases, infectious diseases, dialysis and auxiliary treatment, rinsing solution and nutrition infusion solutions. Meanwhile, the Company obtained 9 patents including 3 invention patents; applied for 22 patents including 18 invention patents, obtaining fruitful results in intelligent property rights. All these created momentum for the Company's future development.

Capitalizing on the increasingly comprehensive innovative platform, the Company established a tier-structure with different subjects and young-to-middle-aged combination. The Company established the drug research institution based on the existing research and development centre in September 2015 and was granted approval for building a national post-doctorate scientific research workstation in October. Meanwhile, the chief researcher of the Company's drug research institution, Dr. Sun Lijie and the researcher; Dr. Wei Saili were elected as innovative talents of the "100 People Plan" of Hebei Province and Top Youth Talents of Hebei Province respectively, Dr. Yin Dianshu and Wang Lijiang were awarded as Top Talents of Shijiazhuang City, marking the Company's another step forward in developing high-level talents and consolidating industry-university-research. As such, the Company's innovation capability and strength were further improved.

The Company reached new standards in quality. Subsequent to being granted the quality award of the government of Shijiazhuang City in 2015, the Company received the quality award of the government of Hebei Province in 2016, reflecting the Company's leading position in the province in relation to enhancement of quality management and pursuit for outstanding efficiency.

### **(3) Key Projects**

The Company's small liquid injections and modernised Chinese medicine projects were all completed during the year. The GMP certification had been passed and their production had already commenced up to date. An additional production of 5 billion tablets (granules) of oral preparations per year and 250 million units of PP and glass ampoule per year can be achieved after the commencement of full production. The establishment and production of oral preparations and small liquid injections can create beneficial effects on further enriching the product mix of the Company and promoting diversified product development.

### **(4) Acquisition of Asset and Business**

In order to extend the chain of production of the Company, we wholly acquired a medical packaging materials manufacturer, Jiangsu Best New Medical Material Co., Ltd., to ensure the supply of raw materials and ancillary materials and further lower the production costs so as to significantly enhance the competitive edge of standard soft bags. In addition, we acquired 50% equity interest of Hebei Hanlin Biotechnology Co., Ltd. at the beginning of the year, through which to open the fields in biological polypeptides, antibodies medicines, molecular clinical diagnosis and biochemical reagent.

## **III. PROSPECTS FOR DEVELOPMENT**

As there will not be substantial changes in the policies and developments in pharmaceutical industry in the whole country during 2016, pharmaceutical manufacture enterprises will still be facing intensive challenges in the market. As such, elimination within intravenous infusion solutions industry will continue. The Company will capture the two major momentums — marketing and research & development (“R&D”) — to build a solid market foundation, expand business scope, take effective cost control, improve operational efficiency, accelerate scientific research and facilitate technology innovation to stimulate a diversified development for the Company.

This year, the Company will well expand the market of standard soft bag, double soft tube and double hard tube and upright soft bag infusion solution products and further strengthen the market sales of soft bags rinsing solutions, nutrition and therapeutic infusion solutions to bolster the leading position of the Company in the industry. The Company will also engage in the marketing and operation of glass ampoule and PP ampoule injection, expand the product sales of oral preparation, biological products and disinfectant to accelerate the development

of product mix diversification and improve the Group's profitability as well as risk-resistant ability. We have planned to achieve the sales of 1.15 billion intravenous infusion products, of which the sales of various soft bags will be no less than 600 million. The plan for selling over 80 million various ampoule products will start to realise the sales increment. Our accelerating marketing efforts in new products will create a brand new growth trend.

In respect of new product development, the Company will seize the opportunity of the speeded-up approval from the PRC to stride steps on driving new product development. We will highlight the distinguished features and characteristics on our products and focus on the integration between exclusive and "short, flat and expedite" general product categories to reasonably allocate time and financial resources for clinical study. It is expected that the production approval for Type 1.1 new drug Levornidazole and Type 3.1 new drug Blonanserin will be submitted, the 26 production approvals mainly for Type 6 new drug and 40 clinical approvals for new products will be obtained in 2016. Meanwhile, applications for 33 new products have been submitted to ensure the Company's long term development.

We are full of confidence on the future development of the Group. Leveraging on the competitive edges on our scale, quality and effective management in the industry, our superiority in infusion solution products among the industry will be further maintained in this challenging market. The R&D of new products over the years has started to reap a harvest, which will render a substantial driving force for the growth of the Group. We will be committed to bringing satisfactory return for 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 COMPREHENSIVE INCOME

For the year ended 31 December 2015

|  | <i>Note</i> | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------|-------------------------|-------------------------|
| <b>Continuing operations</b>   |             |                         |                         |
| Revenue  | 3           | 2,221,921               | 2,091,471               |
| Cost of sales  | 10          | <u>(1,172,352)</u>      | <u>(1,026,068)</u>      |
| <b>Gross profit</b>  |             | <u>1,049,569</u>        | <u>1,065,403</u>        |
| Selling and marketing costs  | 10          | (280,522)               | (262,716)               |
| General and administrative expenses                                      | 10          | (277,992)               | (221,658)               |
| Other gains — net  |             | <u>50,485</u>           | <u>40,475</u>           |
| <b>Operating profit</b>  |             | <u>541,540</u>          | <u>621,504</u>          |
| Finance income   | 4           | 3,430                   | 8,425                   |
| Finance costs  | 4           | <u>(65,118)</u>         | <u>(49,779)</u>         |
| Finance costs — net  |             | <u>(61,688)</u>         | <u>(41,354)</u>         |
| Share of loss of investment in a joint venture                           |             | <u>(1,540)</u>          | <u>—</u>                |
| <b>Profit before income tax</b>  |             | 478,312                 | 580,150                 |
| Income tax expense   | 5           | <u>(74,859)</u>         | <u>(88,582)</u>         |
| <b>Profit for the year from continuing operations</b>                    |             | 403,453                 | 491,568                 |
| <b>Discontinued operations</b>   |             |                         |                         |
| Profit for the year from discontinued operations                         |             | <u>—</u>                | <u>111,404</u>          |
| <b>Profit for the year</b>   |             | <u>403,453</u>          | <u>602,972</u>          |
| <b>Profit attributable to:</b>   |             |                         |                         |
| Equity holders of the Company  |             | 403,416                 | 602,929                 |
| Non-controlling interests  |             | <u>37</u>               | <u>43</u>               |
|  |             | <u>403,453</u>          | <u>602,972</u>          |
| <b>Profit attributable to equity holders of the Company arises from:</b> |             |                         |                         |
| Continuing operations  |             | 403,416                 | 491,525                 |
| Discontinued operations  |             | <u>—</u>                | <u>111,404</u>          |
|  |             | <u>403,416</u>          | <u>602,929</u>          |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

|  | Note | 2015<br>HK\$'000      | 2014<br>HK\$'000      |
|--|------|-----------------------|-----------------------|
| <b>Other comprehensive income:</b>   |      |                       |                       |
| <i>Items that may be reclassified to profit or loss</i>  |      |                       |                       |
| Currency translation differences   |      | <u>(178,302)</u>      | <u>(16,889)</u>       |
| <b>Total comprehensive income for the year</b>   |      | <b><u>225,151</u></b> | <b><u>586,083</u></b> |
| <b>Total comprehensive income attributable to:</b>   |      |                       |                       |
| Equity holders of the Company  |      | 225,156               | 586,042               |
| Non-controlling interests  |      | <u>(5)</u>            | <u>41</u>             |
|  |      | <b><u>225,151</u></b> | <b><u>586,083</u></b> |
| <b>Total comprehensive income attributable to:</b>   |      |                       |                       |
| Continuing operations  |      | 225,151               | 475,430               |
| Discontinued operations  |      | <u>—</u>              | <u>110,653</u>        |
|  |      | <b><u>225,151</u></b> | <b><u>586,083</u></b> |
| <b>Earnings per share from continuing and discontinued operations attributable to equity holders of the Company for the year (expressed in HK\$ per share)</b> |      |                       |                       |
| <b>Basic earnings per share</b>  |      |                       |                       |
| From continuing operations   | 6(a) | 0.1384                | 0.1669                |
| From discontinued operations   | 6(a) | <u>—</u>              | <u>0.0378</u>         |
| From profit for the year   |      | <b><u>0.1384</u></b>  | <b><u>0.2047</u></b>  |
| <b>Diluted earnings per share</b>  |      |                       |                       |
| From continuing operations   | 6(b) | 0.1381                | 0.1660                |
| From discontinued operations   | 6(b) | <u>—</u>              | <u>0.0376</u>         |
| From profit for the year   |      | <b><u>0.1381</u></b>  | <b><u>0.2036</u></b>  |

## CONSOLIDATED BALANCE SHEET

As at 31 December 2015

|   | As at<br>31 December<br>2015<br><i>HK\$'000</i> | As at<br>31 December<br>2014<br><i>HK\$'000</i> |
|---|---|---|
|   | <i>Note</i>                                     |   |
| <b>ASSETS</b>   |   |   |
| <b>Non-current assets</b>   |   |   |
| Land use rights   | 271,794   | 223,715   |
| Property, plant and equipment   | 2,693,812                                       | 2,551,898                                       |
| Intangible assets   | 381,454   | 338,834   |
| Deferred income tax assets  | 4,147   | 2,591   |
| Investment in a joint venture   | 22,395  | —   |
| Long-term receivables   | 1,194   | —   |
|   | <u>3,374,796</u>                                | <u>3,117,038</u>                                |
| <b>Current assets</b>   |   |   |
| Inventories   | 282,518   | 279,557   |
| Trade and bills receivables   | 8 935,426                                       | 703,287   |
| Prepayments, deposits and other receivables                                   | 75,531  | 372,549   |
| Pledged bank deposits   | 859   | —   |
| Cash and cash equivalents   | 338,964   | 325,224   |
|   | <u>1,633,298</u>                                | <u>1,680,617</u>                                |
| <b>Total assets</b>   | <u><u>5,008,094</u></u>                         | <u><u>4,797,655</u></u>                         |
| <b>EQUITY</b>   |   |   |
| <b>Capital and reserves attributable to equity holders<br/>of the Company</b> |   |   |
| Share capital   | 62,851  | 66,177  |
| Reserves  | 2,331,665                                       | 3,186,325                                       |
|   | <u>2,394,516</u>                                | <u>3,252,502</u>                                |
| <b>Non-controlling interests</b>  | <u>663</u>                                      | <u>668</u>                                      |
| <b>Total equity</b>   | <u><u>2,395,179</u></u>                         | <u><u>3,253,170</u></u>                         |

## CONSOLIDATED BALANCE SHEET

As at 31 December 2015

|                                     | <b>As at</b>       | <b>As at</b>       |
|-------------------------------------|--------------------|--------------------|
|                                     | <b>31 December</b> | <b>31 December</b> |
|                                     | <b>2015</b>        | <b>2014</b>        |
| <i>Note</i>                         | <i>HK\$'000</i>    | <i>HK\$'000</i>    |
| <b>LIABILITIES</b>                  |                    |                    |
| <b>Non-current liabilities</b>      |                    |                    |
| Borrowings                          | 1,125,351          | 364,246            |
| Deferred income tax liabilities     | 23,631             | 24,097             |
| Deferred revenue                    | 5,743              | 8,153              |
| Post-employment benefit obligation  | —                  | 27                 |
| Other non-current liabilities       | 23,873             | —                  |
|                                     | <u>1,178,598</u>   | <u>396,523</u>     |
| <b>Current liabilities</b>          |                    |                    |
| Borrowings                          | 687,742            | 507,681            |
| Trade payables                      | 269,502            | 287,720            |
| Advanced receipts from customers    | 10,196             | 8,706              |
| Accruals and other payables         | 445,154            | 320,109            |
| Income tax payable                  | 21,723             | 23,746             |
|                                     | <u>1,434,317</u>   | <u>1,147,962</u>   |
| <b>Total liabilities</b>            | <u>2,612,915</u>   | <u>1,544,485</u>   |
| <b>Total equity and liabilities</b> | <u>5,008,094</u>   | <u>4,797,655</u>   |

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

#### *Changes in accounting policy and disclosures*

##### *(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:

- (i) Annual improvements 2012 include changes from the 2010 – 2012 cycle of the annual improvements project that are effective for relevant transactions executed on or after 1 July 2014:
  - Amendment to HKFRS 8 ‘Operating Segments’ 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.
  - Amendment to HKAS 24 ‘Related Party Disclosures’ clarify 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.
- (ii) Annual improvements 2013 include changes from the 2011 – 2013 cycle of the annual improvements project, that are effective for relevant transactions executed on or after 1 July 2014:
  - Amendment to HKFRS13 ‘Fair Value Measurement’ clarify the portfolio exception allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.
- (iii) Amendment to HKAS 19 regarding defined benefit plans is effective for annual periods beginning on or after 1 July 2014. It applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one

period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

- (iv) Amendment to HKFRS 3 ‘Business Combinations’ is effective for relevant transactions executed on or after 1 July 2014. It clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

The following new amendments of HKFRSs are effective for the first time for the financial year beginning on 1 January 2015 and not relevant to the Group’s operations (although they may affect the accounting for future transactions and events):

- (i) Amendment to HKAS 40 ‘Investment Property’ clarifies that the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

The adoption of the above new amendments of HKFRSs starting from 1 January 2015 did not give rise to any significant impact on the Group’s results of operations and financial position for the year ended 31 December 2015.

- (b) *New standards and amendments issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group*

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2015, and have not been early adopted by the Group in preparing these consolidated financial statements:

HKFRS 14 ‘Regulatory Deferral Accounts’, effective for annual periods beginning on or after 1 January 2016.

Amendment to HKFRS 11 ‘Accounting for Acquisitions of Interests in Joint Operation’, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 38 ‘Clarification of Acceptable Methods of Depreciation and Amortisation’, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 41 ‘Agriculture: Bearer Plants’, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10 and HKAS 28 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’, originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

Amendment to HKAS 27 ‘Equity Method in Separate Financial Statements’, effective for annual periods beginning on or after 1 January 2016.

Annual improvements 2014 that affect the following standards: HKFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’, HKFRS 7 ‘Financial Instruments: Disclosures’, HKAS 19 ‘Employee Benefits’ and HKAS 34 ‘Interim Financial Reporting’, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 ‘Investment Entities: Applying the Consolidation Exception’, effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 1 ‘Disclosure Initiative’, effective for annual periods beginning on or after 1 January 2016.

HKFRS 15 ‘Revenue from Contracts with Customers’, effective for annual periods beginning on or after 1 January 2018.

HKFRS 9 ‘Financial Instruments’, effective for annual periods beginning on or after 1 January 2018.

The Group is yet to assess the full impact of these new amendments and standards, and intends to adopt the amendments no later than the respective effective dates of the amendments.

*(c) New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## 2. Segment information

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from a product perspective, which assesses the performance of three product segments, namely intravenous infusion solution and others, antibiotics and others, and medical materials. The entire product segment of medical materials was acquired during the year ended 31 December 2015, while the entire product segment of antibiotics and others was disposed during the year ended 31 December 2014 along with the disposal of a subsidiary.

The executive directors assess the performance of the operating segments based on a measure of revenue and profit. This measurement is consistent with that in the annual consolidated financial statements.

Unallocated operating loss was mainly attributable to corporate expenses.

Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, trade and bill receivables, prepayments, deposits and other receivables, pledged bank deposits and cash and cash equivalents. Unallocated assets mainly comprise corporate cash.

Segment liabilities comprise mainly operating liabilities. Unallocated liabilities mainly comprise corporate borrowings.

The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2015 is as follows:

|   | Continuing operations                                       |                                      |                                |                          | Discontinued operations — Antibiotics and others<br><i>HK\$'000</i> |
|---|---|--------------------------------------|--------------------------------|--------------------------|---|
|   | Intravenous infusion solution and others<br><i>HK\$'000</i> | Medical materials<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |   |
| Revenue                                 | <u>2,175,536</u>  | <u>46,385</u>                        | <u>—</u>                       | <u>2,221,921</u>         | <u>—</u>  |
| Operating profit/(loss) segment results | 568,565   | 6,376                                | (33,401)                       | 541,540                  | —   |
| Finance income                          | 2,155   | 237                                  | 1,038                          | 3,430                    | —   |
| Finance costs                           | (55,855)  | (1,127)                              | (8,136)                        | (65,118)                 | —   |
| Profit/(loss) before income tax         | 513,325   | 5,486                                | (40,499)                       | 478,312                  | —   |
| Income tax expense                      | <u>(74,255)</u>   | <u>(604)</u>                         | <u>—</u>                       | <u>(74,859)</u>          | <u>—</u>  |
| Profit/(loss) for the year              | <u>439,070</u>  | <u>4,882</u>                         | <u>(40,499)</u>                | <u>403,453</u>           | <u>—</u>  |

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2015 are as follows:

|   | Continuing operations                                       |                                      |                                |                          | Discontinued operations — Antibiotics and others<br><i>HK\$'000</i> |
|---|---|--------------------------------------|--------------------------------|--------------------------|---|
|   | Intravenous infusion solution and others<br><i>HK\$'000</i> | Medical materials<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |   |
| Amortisation of land use rights                                 | 4,983   | 98                                   | —                              | 5,081                    | —   |
| Depreciation of property, plant and equipment                   | 198,410   | 6,443                                | 812                            | 205,665                  | —   |
| Amortisation of intangible assets                               | 4,070   | 1,370                                | —                              | 5,440                    | —   |
| Provision for write-down of inventories                         | —   | 238                                  | —                              | 238                      | —   |
| Provision/(reversal of provision) for impairment of receivables | <u>569</u>  | <u>(499)</u>                         | <u>—</u>                       | <u>70</u>                | <u>—</u>  |

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2014 is as follows:

|  | Continuing operations                                |                               |                         |                   | Discontinued operations — Antibiotics and others<br>HK\$'000 |
|--|--|-------------------------------|-------------------------|-------------------|--|
|  | Intravenous infusion solution and others<br>HK\$'000 | Medical materials<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |  |
| <b>Revenue</b>   | <u>2,091,471</u>                                     | <u>—</u>                      | <u>—</u>                | <u>2,091,471</u>  | <u>831,904</u>   |
| <b>Operating profit/(loss) segment results</b>   | 639,577  | —                             | (18,073)                | 621,504           | 74,619   |
| Finance income   | 7,956  | —                             | 469                     | 8,425             | 326  |
| Finance costs  | (46,276)   | —                             | (3,503)                 | (49,779)          | (15,309)   |
| <b>Profit/(loss) before income tax</b>   | <u>601,257</u>                                       | <u>—</u>                      | <u>(21,107)</u>         | <u>580,150</u>    | <u>59,636</u>  |
| Income tax expense   | (75,217)   | —                             | (13,365)                | (88,582)          | (9,296)  |
| <b>Profit/(loss) for the year</b>  | <u>526,040</u>                                       | <u>—</u>                      | <u>(34,472)</u>         | <u>491,568</u>    | <u>50,340</u>  |
| Net gain on disposal of investments in a subsidiary — net  | —  | —                             | —                       | —                 | 80,512   |
| Withholding tax charge related to dividends from a disposed subsidiary and other disposal related expenses | —  | —                             | —                       | —                 | (19,448)   |
| <b>Total profit/(loss) for the year</b>  | <u>526,040</u>                                       | <u>—</u>                      | <u>(34,472)</u>         | <u>491,568</u>    | <u>111,404</u>   |

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2014 are as follows:

|   | Continuing operations                                |                               |                         |                   | Discontinued operations — Antibiotics and others<br>HK\$'000 |
|---|--|-------------------------------|-------------------------|-------------------|--|
|   | Intravenous infusion solution and others<br>HK\$'000 | Medical materials<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |  |
| Amortisation of land use rights                                 | 4,176  | —                             | —                       | 4,176             | 4,999  |
| Depreciation of property, plant and equipment                   | 152,327  | —                             | 437                     | 152,764           | 26,214   |
| Amortisation of intangible assets                               | 3,550  | —                             | —                       | 3,550             | 1,080  |
| Reversal of provision for write-down of inventories             | —  | —                             | —                       | —                 | (1,927)  |
| Provision/(reversal of provision) for impairment of receivables | <u>741</u>   | <u>—</u>                      | <u>—</u>                | <u>741</u>        | <u>(680)</u>   |

The segment assets and liabilities at 31 December 2015 are as follows:

|                                 | Continuing operations                                       |                                      |                                |                          | Discontinued operations — Antibiotics and others<br><i>HK\$'000</i> |
|---------------------------------|---|--------------------------------------|--------------------------------|--------------------------|---|
|                                 | Intravenous infusion solution and others<br><i>HK\$'000</i> | Medical materials<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |   |
| Total assets                    | <u>4,575,882</u>  | <u>376,138</u>                       | <u>56,074</u>                  | <u>5,008,094</u>         | <u>—</u>  |
| Total liabilities               | <u>1,836,395</u>  | <u>79,141</u>                        | <u>697,379</u>                 | <u>2,612,915</u>         | <u>—</u>  |
| Additions to non-current assets | <u>468,258</u>  | <u>5,680</u>                         | <u>91</u>                      | <u>474,029</u>           | <u>—</u>  |

The segment assets and liabilities at 31 December 2014 are as follows:

|                                 | Continuing operations                                       |                                      |                                |                          | Discontinued operations — Antibiotics and others<br><i>HK\$'000</i> |
|---------------------------------|---|--------------------------------------|--------------------------------|--------------------------|---|
|                                 | Intravenous infusion solution and others<br><i>HK\$'000</i> | Medical materials<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |   |
| Total assets                    | <u>4,341,102</u>  | <u>—</u>                             | <u>456,553</u>                 | <u>4,797,655</u>         | <u>—</u>  |
| Total liabilities               | <u>1,532,119</u>  | <u>—</u>                             | <u>12,366</u>                  | <u>1,544,485</u>         | <u>—</u>  |
| Additions to non-current assets | <u>872,047</u>  | <u>—</u>                             | <u>1,956</u>                   | <u>874,003</u>           | <u>46,610</u>   |

The total of non-current assets were as follows:

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Total non-current assets other than deferred tax assets |                         |                         |
| — Mainland China  | <b>3,369,217</b>        | 3,112,294               |
| — Hong Kong   | <b>1,432</b>            | 2,153                   |
| Deferred tax assets                                     | <u><b>4,147</b></u>     | <u>2,591</u>            |
| Total non-current assets                                | <u><b>3,374,796</b></u> | <u>3,117,038</u>        |

The executive directors have also determined that no geographical segment information is presented as over 95% of the Group's sales and operating profits are derived within the PRC and over 95% operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

### 3. Revenue

The Group is principally engaged in the manufacturing and sale of pharmaceutical products.

Revenue recognised is as follows:

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue:                                 |                         |                         |
| — Sales of pharmaceutical products       | 2,152,290               | 2,087,355               |
| — Sales of medical materials             | 45,324                  | —                       |
| — Services income                        | 14,144                  | —                       |
| — Rental income                          | 3,718                   | 2,809                   |
| — Processing income                      | 4,423                   | 1,218                   |
| — Sales of raw materials and by products | 2,022                   | 89                      |
|  | <u>2,221,921</u>        | <u>2,091,471</u>        |

### 4. Finance income and costs

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Finance income:                                       |                         |                         |
| — Interest income on bank deposits                    | 3,371                   | 3,907                   |
| — Cash discount income                                | 59                      | 4,518                   |
| <b>Finance income</b>                                 | <u>3,430</u>            | <u>8,425</u>            |
| Finance costs:  |                         |                         |
| — Interest expense of bank borrowings                 | (58,245)                | (60,497)                |
| — Discount costs for bills receivables                | (2,581)                 | —                       |
| — Net foreign exchange loss                           | (19,584)                | (5,043)                 |
| <b>Finance costs</b>                                  | <u>(80,410)</u>         | <u>(65,540)</u>         |
| <i>Less: amounts capitalised on qualifying assets</i> | <u>15,292</u>           | <u>15,761</u>           |
| <b>Total finance costs</b>                            | <u>(65,118)</u>         | <u>(49,779)</u>         |
| <b>Finance costs — net</b>                            | <u>(61,688)</u>         | <u>(41,354)</u>         |

## 5. Income tax expense

The Company is incorporated in Cayman Islands as an exempted company and, accordingly, is exempted from payment of 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 operate in PRC are subject to the Mainland China Corporate Income Tax (“CIT”) at an applicable rate of 25%.

Shijiazhuang No. 4 Pharmaceutical Co. Ltd., Jiangsu Best New Medical Material Co, Ltd. and Hebei Guolong Pharmaceutical Co., Ltd. have been recognised 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 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.

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

|  | <b>2015</b><br><b>HK\$’000</b> | 2014<br><i>HK\$’000</i> |
|--|--------------------------------|-------------------------|
| Current income taxation — Mainland China CIT | <b>83,279</b>                  | 89,612                  |
| Deferred taxation                            | <b>(8,420)</b>                 | (1,030)                 |
|  | <b><u>74,859</u></b>           | <b><u>88,582</u></b>    |

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates as follows:

|   | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit before income tax  | <u><b>478,312</b></u>          | <u>580,150</u>          |
| Tax calculated at the tax rates applicable to the Group companies | <b>70,407</b>                  | 86,544                  |
| Tax exemption and reduction                                       | <b>(3,142)</b>                 | (2,593)                 |
| Tax effects of:   |                                |                         |
| — Joint venture's results reported net of tax                     | <b>231</b>                     | —                       |
| — Expenses not deductible   | <b>13,598</b>                  | 4,075                   |
| — Income not subject to tax                                       | <b>(191)</b>                   | (77)                    |
| — Tax losses for which no deferred tax assets were recognised     | <b>1,308</b>                   | 633                     |
| Re-measurement of deferred tax — change in the tax rate           | <b>(8,149)</b>                 | —                       |
| Withholding tax charge related to interests income                | <u><b>797</b></u>              | <u>—</u>                |
| Tax expense   | <u><b>74,859</b></u>           | <u>88,582</u>           |
| Effective tax rate  | <u><b>15.65%</b></u>           | <u>15.27%</u>           |

## 6. Earnings per share

### (a) Basic

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

|   | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit from continuing operations attributable to equity holders of the Company   | <b>403,416</b>                 | 491,525                 |
| Profit from discontinued operations attributable to equity holders of the Company | <u>—</u>                       | <u>111,404</u>          |
|   | <u><b>403,416</b></u>          | <u>602,929</u>          |
| Weighted average number of ordinary shares in issue (thousands)                   | <u><b>2,915,556</b></u>        | <u>2,944,740</u>        |
| <b>Basic earnings per share (HK\$ per share)</b>                                  |                                |                         |
| Profit from continuing operations attributable to equity holders of the Company   | <b>0.1384</b>                  | 0.1669                  |
| Profit from discontinued operations attributable to equity holders of the Company | <u>—</u>                       | <u>0.0378</u>           |
|   | <u><b>0.1384</b></u>           | <u>0.2047</u>           |

(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.

|   | <b>2015</b><br><b>HK\$'000</b> | 2014<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit from continuing operations attributable to equity holders of the Company       | <b>403,416</b>                 | 491,525                 |
| Profit from discontinued operations attributable to equity holders of the Company     | —                              | 111,404                 |
|   | <b>403,416</b>                 | 602,929                 |
| Weighted average number of ordinary shares in issue (thousands)                       | <b>2,915,556</b>               | 2,944,740               |
| Adjustment for share options (thousands)  | <b>6,483</b>                   | 16,111                  |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | <b>2,922,039</b>               | 2,960,851               |
| <b>Diluted earnings per share (HK\$ per share)</b>                                    |                                |                         |
| Profit from continuing operations attributable to equity holders of the Company       | <b>0.1381</b>                  | 0.1660                  |
| Profit from discontinued operations attributable to equity holders of the Company     | —                              | 0.0376                  |
|   | <b>0.1381</b>                  | 0.2036                  |

## 7. Dividends

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interim dividend of HK\$2.5 cents (2014: HK\$6 cents)<br>per ordinary share | 70,463                  | 177,572                 |
| Proposed zero final dividend (2014: HK\$ zero) per ordinary share           | —                       | —                       |
| HK\$0.172 special dividend per ordinary share to be declared                | —                       | 510,587                 |
|   | <u>70,463</u>           | <u>688,159</u>          |

The interim dividends paid in 2015 and 2014 were HK\$70,463,000 (HK\$2.5 cents per share) and HK\$177,572,000 (HK\$6 cents per share) respectively. A special dividend proposed in the year ended 31 December 2014 of HK\$0.172 per share, amounted to a total dividend of HK\$510,587,000, was paid on 22 May 2015.

At a meeting held on 30 March 2016, the directors recommended that no dividend be proposed for the year ended 31 December 2015.

## 8. Trade and bills receivables

|                                       | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Trade receivables                     | 688,705                 | 520,114                 |
| Bills receivables                     | 251,500                 | 185,753                 |
|                                       | <u>940,205</u>          | 705,867                 |
| <i>Less: Provision for impairment</i> | <u>(4,779)</u>          | <u>(2,580)</u>          |
|                                       | <u>935,426</u>          | <u>703,287</u>          |

The fair values of trade and bills receivables approximate their carrying amounts.

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

|                 | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within 3 months | 824,016                 | 622,886                 |
| 4 to 6 months   | 95,599                  | 67,093                  |
| 7 to 12 months  | 19,171                  | 14,791                  |
| 1 to 2 years    | 1,419                   | 1,097                   |
|                 | <u>940,205</u>          | <u>705,867</u>          |

As at 31 December 2015, trade receivables of HK\$111,410,000 (2014: HK\$80,401,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

|                | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| 4 to 6 months  | <b>95,599</b>                  | 67,093                  |
| 7 to 12 months | <b>15,811</b>                  | 13,308                  |
|                | <u><b>111,410</b></u>          | <u>80,401</u>           |

As at 31 December 2015, impaired trade receivables amounting to approximately HK\$4,779,000 (31 December 2014: HK\$2,580,000) were assessed for impairment and a provision of HK\$4,779,000 (31 December 2014: HK\$2,580,000) for impaired receivables was recorded, covering individually impaired receivables and groups of receivables subject to collective review. Those individually impaired receivables mainly relate to customers in unexpected difficult economic situations and items aged over one year.

The ageing of individually impaired receivables and an estimate of expected recovery are as follows:

|                                | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--------------------------------|--------------------------------|-------------------------|
| 7 to 12 months                 | <b>3,360</b>                   | 1,483                   |
| 1 to 2 years                   | <b>1,419</b>                   | 1,097                   |
|                                | <u><b>4,779</b></u>            | <u>2,580</u>            |
| <i>Less: Expected recovery</i> | <u>—</u>                       | <u>—</u>                |
| Impairment provision made      | <u><b>4,779</b></u>            | <u>2,580</u>            |

The expected recovery was assessed, based on the collateral or other credit enhancement held by the Group, repayment progress, and available information on subsequent repayment.

Movements of provision for impairment of trade receivables are as follows:

|   | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| At 1 January                                  | <b>2,580</b>                   | 32,599                  |
| Provision for impairment of trade receivables | <b>375</b>                     | 1,178                   |
| Receivables written off                       | <b>(209)</b>                   | —                       |
| Disposal of a subsidiary                      | —                              | (30,944)                |
| Acquisition of a subsidiary                   | <b>2,249</b>                   | —                       |
| Currency translation differences              | <b>(216)</b>                   | (253)                   |
|   | <u>          </u>              | <u>          </u>       |
| At 31 December                                | <b><u>4,779</u></b>            | <b><u>2,580</u></b>     |

The creation and release of provision for impaired receivables have been included in general and administrative expenses. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The Group's trade and bills receivables were denominated in the following currencies:

|     | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-----|--------------------------------|-------------------------|
| RMB | <b>939,642</b>                 | 701,817                 |
| USD | <b>563</b>                     | 4,050                   |
|     | <u>          </u>              | <u>          </u>       |
|     | <b><u>940,205</u></b>          | <b><u>705,867</u></b>   |

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. The Group does not hold any collateral as security.

## 9. Trade payables

|                | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Trade payables | <b><u>269,502</u></b>          | <b><u>287,720</u></b>   |

Credit terms for trade payables range from 90 to 180 days. The ageing analysis of the trade payables based on invoice date is as follows:

|                   | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-------------------|--------------------------------|-------------------------|
| Within 3 months   | <b>186,821</b>                 | 232,963                 |
| 4 to 6 months     | <b>55,824</b>                  | 41,608                  |
| 7 to 12 months    | <b>22,481</b>                  | 10,679                  |
| 1 to 3 years      | <b>3,520</b>                   | 1,942                   |
| More than 3 years | <b>856</b>                     | 528                     |
|                   | <b>269,502</b>                 | 287,720                 |

The Group's trade payables were denominated in the following currencies:

|     | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-----|--------------------------------|-------------------------|
| RMB | <b>249,016</b>                 | 270,057                 |
| USD | <b>20,486</b>                  | 17,663                  |
|     | <b>269,502</b>                 | 287,720                 |

#### 10. Expenses by nature

|  | <b>2015</b><br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Raw materials and consumables used   | <b>666,040</b>                 | 680,993                 |
| Changes in inventories of finished goods and work in progress                            | <b>31,614</b>                  | (28,661)                |
| Staff costs  | <b>308,273</b>                 | 234,295                 |
| Utility expenses   | <b>133,329</b>                 | 118,602                 |
| Advertising expenses   | <b>3,879</b>                   | 4,672                   |
| Travelling, meeting and entertainment expenses   | <b>35,595</b>                  | 46,985                  |
| Operating leases rental expenses   | <b>9,663</b>                   | 12,804                  |
| Depreciation of property, plant and equipment  | <b>205,665</b>                 | 152,764                 |
| Provision for write-down of inventories  | <b>238</b>                     | —                       |
| Provision for impairment of trade receivables  | <b>375</b>                     | 741                     |
| Reversal of provision for impairment of other receivables                                | <b>(305)</b>                   | —                       |
| Amortisation of land use rights  | <b>5,081</b>                   | 4,176                   |
| Amortisation of intangible assets  | <b>5,440</b>                   | 3,550                   |
| Auditors' remuneration   |                                |                         |
| — Audit services   | <b>1,920</b>                   | 2,413                   |
| — Non-audit services   | <b>798</b>                     | 860                     |
| Transportation expenses  | <b>205,842</b>                 | 170,053                 |
| Research and development costs   | <b>38,201</b>                  | 37,249                  |
| Business taxes, surcharges and other tax expenses  | <b>43,800</b>                  | 25,657                  |
| Others   | <b>35,418</b>                  | 43,289                  |
| Total cost of sales, selling and marketing costs and general and administrative expenses | <b>1,730,866</b>               | 1,510,442               |

## **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 operating cash flow is insufficient to meet the capital requirements.

As at 31 December 2015, the cash and cash equivalents aggregated to HK\$338,964,000 (2014: HK\$325,224,000), comprising HK\$267,969,000 (2014: HK\$137,582,000) of cash and cash equivalents denominated in Renminbi (“RMB”), HK\$64,672,000 (2014: HK\$182,580,000) in Hong Kong dollars and HK\$6,323,000 (2014: HK\$5,062,000) in other currencies.

The carrying amounts of the borrowings amounting to HK\$1,813,093,000 (2014: HK\$871,927,000) as at 31 December 2015, comprising HK\$760,343,000 (2014: HK\$576,204,000) of borrowings denominated in RMB, HK\$1,052,750,000 (2014: HK\$201,008,000) in Hong Kong dollars and none (2014: HK\$94,715,000) in other currencies.

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 38.1% as at 31 December 2015 due to increase in the borrowing primarily for corporate finance activities of the Group during the year and decrease in the Group’s net asset value.

Current ratio (defined as current assets divided by current liabilities) decreased from 1.46 as at 31 December 2014 to 1.14 as at 31 December 2015.

### **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.

### **CHARGE ON ASSETS**

As at 31 December 2015, the net book amount of the Group’s land use right of HK\$49,247,000 (2014: HK\$60,760,000) and the net book amount of the Group’s buildings, plant, machinery and tools of HK\$57,119,000 (2014: HK\$301,820,000) were pledged as collateral for the Group’s bank borrowings.

As at 31 December 2015, the Group’s borrowing facility of HK\$120,000,000 (31 December 2014: Nil) were secured by the Group’s land use rights with a net book amount of HK\$6,449,000 (31 December 2014: Nil) and buildings, plant, machinery and tools with a net book amount of HK\$68,057,000 (31 December 2014: Nil).

## CONTINGENT LIABILITIES

As at 31 December 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 |
| 31 December 2014 | 0.78887 |
| 31 December 2015 | 0.83778 |

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save for the purchase of a total of 166,336,000 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 year ended 31 December 2015.

- (i) During the year, a conditional cash offer was made by BNPP Securities on behalf of the Company to buy-back 150,000,000 ordinary shares of the Company at the offer price of HK\$3.30 per share from all qualifying shareholders (the "Cash Offer"). The Cash Offer was completed on 31 August 2015 at an aggregate consideration of HK\$495,000,000 (net of expenses), and all of the 150,000,000 ordinary shares were cancelled on 10 September 2015.
- (ii) In addition, during the period from 20 October 2015 to 3 November 2015, the Company acquired an aggregate of 16,336,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$31,753,000 which details are set out below. All of the 16,336,000 shares were subsequently cancelled on 17 November 2015.

| <b>Date of the purchases</b> | <b>Total<br/>number of<br/>the ordinary<br/>shares<br/>purchased</b> | <b>Highest<br/>price paid<br/>per share<br/>(HK\$)</b> | <b>Lowest<br/>price paid<br/>per share<br/>(HK\$)</b> | <b>Aggregate<br/>consideration<br/>(HK\$)</b> |
|------------------------------|--|--|---|---|
| 20 October 2015              | 1,940,000  | 1.96   | 1.91  | 3,769,940                                     |
| 22 October 2015              | 1,000,000  | 1.95   | 1.93  | 1,940,720                                     |
| 23 October 2015              | 2,000,000  | 1.93   | 1.88  | 3,797,320                                     |
| 29 October 2015              | 1,224,000  | 1.93   | 1.91  | 2,354,340                                     |
| 30 October 2015              | 4,250,000  | 1.96   | 1.93  | 8,271,420                                     |
| 2 November 2015              | 2,682,000  | 1.96   | 1.92  | 5,209,720                                     |
| 3 November 2015              | 3,240,000  | 2.00   | 1.96  | 6,409,540                                     |
|                              | <u>16,336,000</u>  |  |   | <u>31,753,000</u>                             |

## **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 (“Old Share Option Scheme”) and adopted the existing share option scheme (“Existing 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, 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 Old 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 Old 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 operation of Old Share Option Scheme was terminated on 20 September 2012 by resolution in general meeting 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.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Old 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 Old 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 Old Share Option Scheme. The total number of shares issued and to be issued upon exercise of all options granted under the Old 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 under the Old Share Option Scheme, 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 weighted average share price at the time of exercise was HK\$3.04 per share.

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 directors of the Group under the 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 2015.

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.

### **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 19 October 2015, the Company granted 122,000,000 share options to two executive directors of the Company and other management staff of the Group under Existing Share Option Scheme, representing about 4.33% of the issued share capital as at the date immediately before the options were granted. The exercise price was HK\$1.98. The exercisable period was from 19 October 2015 to 18 October 2018. Please refer details of grant of share options to the Company’s announcement dated 19 October 2015.

## Share Option

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

|  | 2015                      | 2014            |
|--|---------------------------|-----------------|
| Outstanding at the beginning of the year           | —                         | 48,000,000      |
| Granted during the year                            | <b>122,000,000</b>        | —               |
| Exercised during the year                          | —                         | (48,000,000)    |
| Lapsed during the year                             | —                         | —               |
|  | <hr/>                     | <hr/>           |
| Outstanding and exercisable at the end of the year | <b><u>122,000,000</u></b> | <b><u>—</u></b> |

As at 31 December 2015, the share options granted under Existing Share Option Scheme and remained outstanding had an weighted average exercise price of HK\$1.98 and a remaining contractual life of approximately 2 years and 10 months. As at 31 December 2014, all of the share options granted under Old Share Option Scheme had been exercised and hence there was no outstanding nor exercisable share options.

The details of share options movements during the year ended 2015 are shown as follows:

(i) *Directors of the Company*

| Name of Director | Date of grant | Exercise price<br>per share | Exercisable period           | Number of share options      |                            |                              |                               |
|------------------|---------------|-----------------------------|------------------------------|------------------------------|----------------------------|------------------------------|-------------------------------|
|                  |               |                             |                              | Outstanding<br>at 1 Jan 2015 | Granted<br>during the year | Exercised<br>during the year | Outstanding<br>at 31 Dec 2015 |
| Mr. Wang Xianjun | 19 Oct 2015   | HK\$1.98                    | 19 Oct 2015 —<br>18 Oct 2018 | —                            | 24,416,000                 | —                            | 24,416,000                    |
| Mr. Su Xuejun    | 19 Oct 2015   | HK\$1.98                    | 19 Oct 2015 —<br>18 Oct 2018 | —                            | 24,416,000                 | —                            | 24,416,000                    |
|                  |               |                             |                              | —                            | 48,832,000                 | —                            | 48,832,000                    |
|                  |               |                             |                              | —                            | 48,832,000                 | —                            | 48,832,000                    |

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

| Date of grant | Exercise price<br>per share | Exercisable period           | Number of share options      |                            |                              |                               |
|---------------|-----------------------------|------------------------------|------------------------------|----------------------------|------------------------------|-------------------------------|
|               |                             |                              | Outstanding<br>at 1 Jan 2015 | Granted<br>during the year | Exercised<br>during the year | Outstanding<br>at 31 Dec 2015 |
| 19 Oct 2015   | HK\$1.98                    | 19 Oct 2015 —<br>18 Oct 2018 | —                            | 73,168,000                 | —                            | 73,168,000                    |
|               |                             |                              | —                            | 73,168,000                 | —                            | 73,168,000                    |
|               |                             |                              | —                            | 73,168,000                 | —                            | 73,168,000                    |

The fair value of all the share options granted during the year as at date of grant was HK\$39,431,000. Assuming that all share options outstanding as at 31 December 2015 are exercised, the Company will receive proceeds of HK\$241,560,000.

The details of share options movements during the year ended 2014 are shown as follows:

*Directors of the Company*

| Name of Director | Date of grant | Exercise price<br>per share | Exercisable period         | Number of share options      |                            |                              |                               |
|------------------|---------------|-----------------------------|----------------------------|------------------------------|----------------------------|------------------------------|-------------------------------|
|                  |               |                             |                            | Outstanding<br>at 1 Jan 2014 | Granted<br>during the year | Exercised<br>during the year | Outstanding<br>at 31 Dec 2014 |
| Mr. Qu Jiguang   | 3 May 2012    | HK\$1.48                    | 3 May 2012 —<br>2 May 2015 | 24,000,000                   | —                          | (24,000,000)                 | —                             |
| Mr. Wu Qin       | 3 May 2012    | HK\$1.48                    | 3 May 2012 —<br>2 May 2015 | 24,000,000                   | —                          | (24,000,000)                 | —                             |
|                  |               |                             |                            | 48,000,000                   | —                          | (48,000,000)                 | —                             |

**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 March 2016, and at all times during the year ended 31 December 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 year ended 31 December 2015.

**DIVIDENDS**

An interim dividend of HK\$0.025 per share was declared on 31 August 2015 and paid on 25 September 2015 (2014: HK\$0.06 per share).

For the year ended 31 December 2015, the Board did not recommend any final dividend (2014: nil) or special dividend (2014: HK\$0.172 per share).

**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 year, the Company has complied with all applicable provisions of CG Code with deviation from code provision A.2.1 which 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.

### **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group’s annual results for the year ended 31 December 2015 in conjunction with the Group’s external auditors.

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2015 have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

### **ANNUAL GENERAL MEETING**

The 2016 Annual General Meeting of the Company will be held at 2:00 p.m. on 27 May 2016 at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong and a notice of annual general meeting will be published and despatched in due course.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Tuesday, 24 May 2016.

## **PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the Company's website ([www.ssygroup.com.hk](http://www.ssygroup.com.hk)) and on the website of Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2015 annual report containing all the information required by the Listing Rules will be available on the above websites and will be despatched to the shareholders in due course.

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

On behalf of the Board

**Qu Jiguang**

*Chairman*

Hong Kong, 30 March 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.*