



石四藥集團有限公司

SSY Group Limited

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

2016
Interim Report

CORPORATE INFORMATION

STOCK CODE

2005

EXECUTIVE DIRECTORS

Mr. Qu Jiguang (*Chairman*)
Mr. Wang Xianjun
Mr. Su Xuejun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yibing
Mr. Leung Chong Shun
Mr. Chow Kwok Wai

COMPANY SECRETARY

Mr. Chow Hing Yeung

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681 GT, Grand Cayman
KY1-1111, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 4902-03, 49th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Wang Xianjun
Mr. Chow Hing Yeung

AUDIT COMMITTEE

Mr. Chow Kwok Wai (*Chairman*)
Mr. Wang Yibing
Mr. Leung Chong Shun

REMUNERATION COMMITTEE

Mr. Leung Chong Shun (*Chairman*)
Mr. Wang Yibing
Mr. Chow Kwok Wai

NOMINATION COMMITTEE

Mr. Wang Yibing (*Chairman*)
Mr. Leung Chong Shun
Mr. Chow Kwok Wai

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town, Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank of Communications
Bank of Hebei
BNP Paribas Hong Kong Branch
China CITIC Bank
China CITIC Bank International
Hang Seng Bank
Hongkong and Shanghai Banking
Corporation
Industrial and Commercial Bank of China

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

DLA Piper Hong Kong

AUDITOR

KPMG

WEBSITE

<http://www.ssygroup.com.hk>

CHAIRMAN'S STATEMENT

I. RESULTS AND DIVIDEND DISTRIBUTION

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

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

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

II. BUSINESS REVIEW

(I) Sales of Products

During the first half of the year, the intravenous infusion solution market witnessed intensified competition, especially the competition in plastic bottle packaging infusion solutions turning white-hot. Facing tough market conditions, the Group made full use of its advantages in terms of production scale, product specification and quality assurance in order to strengthen penetration in existing market, gradually explore new market, take advantage of its brand and shift the focus to the lower end of the

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

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

(II) Research and Development of New Products

The research and development of new products made a satisfactory progress in the first half of the year. We successively obtained production approval for Ambroxol Hydrochloride and Sodium Chloride Injection, a drug promoting mucus clearance, being the second entity in China obtaining this production approval. We also obtained exemption in approvals for clinical trial for sorbitol-mannitol rinsing solution for surgery purpose, and obtained 27 approvals for clinical trial for Type 3 chemical drugs including Pomalidomide for treating multiple myeloma, Stiripentol for treating children with epilepsy, Lurasidone Hydrochloride for treating schizophrenia and Imidafenacin for treating urinary incontinence; 6 approvals for bioequivalence clinical trials for Type 6 chemical drugs including Felodipine Sustained Release Tablets for treating hypertension and Rosuvastatin Calcium Tablets for reducing blood lipid; and 10 permits for packaging materials including the new outer barrier upright polypropylene infusion bags. Under the "science and technology create the future" development strategy, based on generic drug products focusing on psychiatric and neurological diseases, respiratory diseases, infectious diseases, dialysis and auxiliary treatment, rinsing solution and nutritious treatments, the Group closely followed the pace of the international pharmaceutical industry in terms of product and technological innovation, research and development direction as well as major technology platform, comprehensively promoted the development, layout and planning of product pipeline, and put effort into research for drugs with innovations and breakthroughs. Currently, the Group has 184 projects under research and development, 77 of which have applications submitted for approval. The innovative results were increasingly rich when the support from research and development was enhanced. In the first half of the year, the Group obtained 2 patents including 1 invention patent and 1 practical new patent; and applied for 10 patents including 7 invention patents and 3 practical new patents, which represented fruitful results of intellectual rights and provided sufficient support for the sustainable development of the Group. In respect of medical material, the Group increased efforts on production techniques in products such as pre-filled rubber stopper and infusion film to create a competitive advantage by upstream product chain.

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

III. PROSPECTS FOR DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

Qu Jiguang
Chairman

Hong Kong, 30 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

SSY Group Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the research, development, manufacturing and selling of a wide range of pharmaceutical products, which includes finished medicines of mainly intravenous infusion solution to hospitals and distributors, bulk pharmaceuticals and medical materials. The Group has manufacturing plants in Hebei Province and Jiangsu Province, the People's Republic of China (the "PRC"), and sells to customers mainly in the PRC.

For the six months ended 30 June 2016, the review on the Group's business performance and financial performance are contained in the Chairman's statement under section headed "BUSINESS REVIEW" and in this Management Discussion and Analysis under section headed "FINANCIAL PERFORMANCE REVIEW" respectively. The future development in the Group's business is discussed in the Chairman's statement under section headed "PROSPECTS FOR DEVELOPMENT".

FINANCIAL PERFORMANCE REVIEW

REVENUE

For the six months ended 30 June

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

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. There are different forms of packing in intravenous infusion products including Non-PVC Soft Bag, Upright Soft Bag, PP Plastic Bottle and Glass Bottle. The Group's medical materials are mainly manufactured and sold by Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best"), which was acquired by the Group on 30 September 2015.

Majority of the Group's sales are conducted in the PRC and are denominated in Renminbi ("RMB"), which depreciated by approximately 6.3% when translated into Hong Kong dollars ("HK\$") for the six months ended 30 June 2016 as compared with that for corresponding period of last year. Nevertheless, revenue of the Group for the six months ended 30 June 2016 increased by 4.5% from HK\$1,061,389,000 in corresponding period of last year to HK\$1,109,112,000. Among which, revenue from intravenous infusion solution accounted for HK\$964,042,000 (30 June 2015: HK\$963,115,000), representing an increase of 0.1% as compared with corresponding period of last year. Among which, revenue from Non-PVC Soft Bag and Upright Soft Bag Infusion Solution were HK\$515,108,000 and HK\$98,389,000 respectively, totalling HK\$613,497,000, an increase of 2.8% as compared with corresponding period of last year and accounted for 63.6% of revenue from intravenous infusion solution; revenue from PP Plastic Bottle Infusion Solution was HK\$239,838,000, a increase of 0.6% as compared with corresponding period of last year and accounted for 24.9% of revenue from intravenous infusion solution; revenue from Glass Bottle Infusion Solution was HK\$110,706,000, an decrease of 13.6% as compared with corresponding period of last year and accounted for 11.5% of revenue from intravenous infusion solution.

With the increasing demand in the high quality intravenous infusion solution products in the PRC, the Group will keep focusing its production in Non-PVC Soft Bag and Upright Soft Bag Infusion Solution.

COST OF SALES

The Group's cost of sales decreased by 1.5% to HK\$559,039,000 for the six months ended 30 June 2016 as compared to the corresponding period last year of HK\$567,681,000. The cost of direct materials, direct labour and other costs represented approximately 53%, 15% and 32% of the total cost of sales respectively, while their comparative percentages for the corresponding period last year were 58%, 16% and 26% respectively.

GROSS PROFIT MARGIN

For the six months ended 30 June 2016, the Group recorded a total gross profit of HK\$550,073,000 (30 June 2015: HK\$493,708,000). Overall gross profit margin increased by 3.1 percentage point to 49.6% for the six months ended 30 June 2016, from 46.5% for the corresponding period last year. The increase of gross profit margin was mainly due to a better product mix from products with higher profit margins and the Group's continuous cost control measures.

OTHER INCOME

For the six months ended 30 June 2016, the Group's other income amounted to approximately HK\$46,779,000 (30 June 2015: HK\$38,501,000) which mainly represented government grants.

SELLING AND DISTRIBUTION COSTS

For the six months ended 30 June 2016, selling and distribution costs amounted to approximately HK\$157,257,000 (30 June 2015: HK\$116,640,000), which mainly consisted of transportation cost of approximately HK\$124,021,000 (30 June 2015: HK\$84,759,000), travelling and other disbursements of approximately HK\$9,797,000 (30 June 2015: HK\$8,963,000) and salary expenses of sales and marketing staff of approximately HK\$12,478,400 (30 June 2015: HK\$3,756,000).

Selling and distribution expenses increased by 34.8% for the six months ended 30 June 2016 as compared with that of the corresponding period last year mainly due to the increase in transportation cost and salary expenses of sales and marketing staff as a result of an expanded sales coverage.

GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2016, general and administrative expenses was approximately HK\$150,209,000 (30 June 2015: HK\$98,256,000) which mainly comprised of salaries expenses for the administrative staff of approximately HK\$47,799,000 (30 June 2015: HK\$34,341,000), depreciation and amortisation of approximately HK\$32,291,000 (30 June 2015: HK\$23,533,000), research and development expenses of approximately HK\$21,588,000 (30 June 2015: HK\$14,587,000) and grant of share options of approximately HK\$26,686,000 (30 June 2015: Nil).

The increase of 52.9% in general and administrative expense as compared to that of the corresponding period last year was mainly due to expansion of the Group's operations and grant of share options during the six months ended 30 June 2016.

PROFIT FROM OPERATIONS

For the six months ended 30 June 2016, the Group's profit from operations amounted to HK\$289,386,000 representing a decrease of 8.8% as compared to HK\$317,313,000 of the corresponding period last year with operating profit margin (defined as profit from operations divided by total revenue) decreased to 26.1% as compared to 29.9% of the corresponding period last year. The decrease in operating profit margin was mainly caused by the increases in selling and distribution costs as well as general and administrative expenses.

FINANCE COSTS

The Group's finance costs amounted to HK\$27,286,000 for the six months ended 30 June 2016 (30 June 2015: HK\$20,819,000), which are mainly related to bank borrowings. The increase in finance costs by 31.1% was mainly due to the increase in average bank loan balance as compared to the corresponding period last year.

INCOME TAX EXPENSE

Shijiazhuang No. 4 Pharma, Jiangsu Best and Hebei Guulong Pharmaceutical Co., Ltd. were qualified as the High and New Technology Enterprise and entitled to a 15% preferential Mainland China Corporate Income Tax ("CIT") rate in both 2016 and 2015. For the six months ended 30 June 2016, the income tax expense increased by 9.1% to HK\$51,567,000 (30 June 2015: HK\$47,271,000) mainly due to an accrued withholding tax of profits distribution by the PRC subsidiaries.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2016 decreased by 16% to HK\$210,428,000 (30 June 2015: HK\$250,501,000) and the net profit margin (defined as profit attributable to equity shareholders of the Company for the period divided by total revenue) decreased to 19.0% from 23.6% for the corresponding period last year.

INTERIM DIVIDENDS

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group primarily finances its working capital and other capital requirements by net cash generated from operating activities and resorts to external financing including both long-term and short-term bank borrowings from time to time in case the projected operating cash flow is insufficient to meet the capital requirements.

As at 30 June 2016, the cash and cash equivalents aggregated to HK\$373,323,000 (31 December 2015: HK\$338,964,000), of which HK\$321,523,000 (31 December 2015: HK\$267,969,000), HK\$50,192,000 (31 December 2015: HK\$64,672,000) and HK\$1,608,000 (31 December 2015: HK\$6,323,000) are denominated in RMB, Hong Kong dollars and other currencies respectively.

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

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had approximately 3,900 employees, most of whom were based in the PRC. The number of workers employed by the Group varies from time to time depending on its needs. The remuneration policy of employees other than executive Directors and senior management is based on industry practice and is periodically reviewed by executive Directors or senior management. Apart from social insurance and in-house training programmes, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.

The remuneration policy of executive Directors and senior management are reviewed and recommended for the Board's approval by the Remuneration Committee. The remuneration package is reviewed with reference to the Board's corporate goals and objectives, prevailing market practice, duties and responsibilities of the individual executive Director or senior management and his/her contribution to the Group.

The total remuneration cost incurred by the Group for the six months ended 30 June 2016 was approximately HK\$171,965,000 (30 June 2015: HK\$123,155,000).

CHARGE ON ASSETS

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

FOREIGN EXCHANGE RISK

Majority of the Group's businesses are operated in the PRC and are denominated in RMB. Except for the foreign currency translation risk arising from the translation into Hong Kong dollars for the financial statements of subsidiaries with the functional currencies of RMB, the Group does not expect any materially adverse effects of the exchange rate fluctuation. Hence, no financial instrument for hedging was employed. Nevertheless, the Group is closely monitoring the financial market and would consider appropriate measures if required.

As at the following dates, the exchange rates of converting Hong Kong dollars into RMB (as calculated in Hong Kong dollars) were:

1 January 2015	0.78887
30 June 2015	0.78861
1 January 2016	0.83778
30 June 2016	0.85467

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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

The abovementioned shares were subsequently cancelled in February 2016.

SHARE OPTION SCHEME

As approved by an ordinary resolution passed by the shareholders at the Extraordinary General Meeting held on 20 September 2012, the Board had terminated of the old share option scheme adopted on 16 October 2005 and adopted the existing share option scheme (“Share Option Scheme”).

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

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

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issuable upon exercise of all options to be granted Share Option Scheme and any other schemes as from the commencement of the Scheme Period must not, in aggregate, exceed 10% of the shares in issue as at 20 September 2012 (the "Scheme Mandate"). The Scheme Mandate was refreshed at the annual general meeting held on 27 May 2016, and may be refreshed at any time by obtaining approval of the shareholders in general meeting provided that the new limit under the

refreshed Scheme Mandate must not exceed 10% of the issued share capital of the Company at the date of the shareholders' approval. The maximum number of shares issued and to be issued upon exercise of the options granted under Share Option Scheme and any other schemes to any of the Eligible Person (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of issued share capital of the Company unless shareholders' approval is obtained under the terms of Share Option Scheme.

On 19 October 2015, the Company granted a total of 122,000,000 share options to two executive directors of the Company and other management staff of the Group under Share Option Scheme, representing about 4.33% of the issued share capital as at the date immediately before share options were granted. The exercise price was HK\$1.98. The exercisable period was from 19 October 2015 to 18 October 2018. During the six months ended 30 June 2016, a total of 15,000,000 share options were exercised by one of management staff of the Group who was not a Director of the Company. As a result, a total of 15,000,000 ordinary shares of the Company was issued on 8 June 2016.

On 15 April 2016, the Company granted 122,000,000 share options to Mr. Qu Jiguang, the Chairman and the CEO of the Company, under Share Option Scheme, representing about 4.31% of the issued share capital as at the date immediately before share options were granted. The exercise price was HK\$2.58. The exercisable period was from 15 April 2016 to 14 April 2021. Such grant of share options was approved by the independent shareholders at the annual general meeting held on 27 May 2016. Please refer details of grant of share options to the Company's announcement dated 15 April 2016.

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

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

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

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

(i) Directors of the Company

Name of Director	Date of grant	Exercise price per share	Exercisable period	Number of share options			
				Outstanding at 1 Jan 2016	Granted during the period	Exercised during the period	Outstanding at 30 Jun 2016
Mr. Qu Jiguang	15 Apr 2016	HK\$2.58	15 Apr 2016 — 14 Apr 2021	—	122,000,000	—	122,000,000
Mr. Wang Xianjun	19 Oct 2015	HK\$1.98	19 Oct 2015 — 18 Oct 2018	24,416,000	—	—	24,416,000
Mr. Su Xuejun	19 Oct 2015	HK\$1.98	19 Oct 2015 — 18 Oct 2018	24,416,000	—	—	24,416,000
				48,832,000	122,000,000	—	170,832,000

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

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

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

As at 30 June 2016, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules once the shares are listed, were as follows:

Name of Director	Capacity	Long/short position	Number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Qu Jiguang	Beneficial owner (Note 1)	Long	122,000,000	4.29%
	Beneficial owner	Long	148,906,000	5.23%
	Interest in a controlled corporation (Note 2)	Long	733,856,000	25.80%
Mr. Wang Xianjun	Beneficial owner (Note 3)	Long	24,416,000	0.86%
Mr. Su Xuejun	Beneficial owner (Note 3)	Long	24,416,000	0.86%

Notes:

1. These shares represent the underlying interest in shares of the Company pursuant to share options granted to Mr. Qu Jiguang on 15 April 2016 under the Share Option Scheme.
2. These shares were registered in the name of and beneficially owned by China Pharmaceutical Company Limited ("CPCL"). CPCL is held as to 72.93% by Mr. Qu Jiguang and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.
3. These shares represent the underlying interest in shares of the Company pursuant to share options granted, among others, to Mr. Wang Xianjun and Mr. Su Xuejun on 19 October 2015 under the Share Option Scheme.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company or the Stock Exchange pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (b) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the sections headed "Directors' and chief executives' interests in the shares" and "Share option scheme", at no time during the six months ended 30 June 2016 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE SHARES

As at 30 June 2016, the register of substantial shareholders required to be kept by the Company under section 336 of the SFO shows that the Company had been notified of the following interests, being 5% or more in the issued share capital and underlying shares of the Company.

Name of Shareholder	Capacity	Long/short position	Number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Qu Jiguang	Beneficial owner (Note 1)	Long	122,000,000	4.29%
	Beneficial owner	Long	148,906,000	5.23%
	Interest in a controlled corporation (Note 2)	Long	733,856,000	25.80%
CPCL (Note 2)	Beneficial owner	Long	733,856,000	25.80%

Name of Shareholder	Capacity	Long/short position	Number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company
Sichuan Kelun Pharmaceutical Co., Ltd(四川科倫藥業股份有限公司)	Interest in a controlled corporation (Note 3)	Long	309,608,000	10.88%
Kelun International Development Co., Ltd (科倫國際發展有限公司) (Note 3)	Beneficial owner	Long	309,608,000	10.88%
UBS Group AG (Note 4)	Interest in a controlled corporation	Long	178,210,519	6.26%
	Person having a security interest in shares	Long	639,084	0.02%
	Interest in a controlled corporation	Short	3,748,792	0.13%

Notes:

1. These shares represent the underlying interest in shares of the Company pursuant to share options granted to Mr. Qu Jiguang on 15 April 2016 under the Share Option Scheme.
2. These shares were registered in the name of and beneficially owned by CPCL. CPCL is held as to 72.93% by Mr. Qu Jiguang and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.
3. These shares were registered in the name of and beneficially owned by Kelun International Development Co., Ltd (科倫國際發展有限公司). Kelun International Development Co., Ltd (科倫國際發展有限公司) is held as to 100% by Sichuan Kelun Pharmaceutical Co., Ltd (四川科倫藥業股份有限公司).
4. Among the aggregate interests of UBS Group AG in the Company, 104,000 shares (long position) were held through physically settled derivatives (on exchange), and 1,149,371 shares (long position) were held through cash settled derivatives (off exchange).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance. The Board believes that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests.

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the six months ended 30 June 2016, the Company has complied with all applicable provisions of CG Code with deviation from code provision A.2.1 as set out below.

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

The Board appointed Mr. Qu Jiguang as the Chairman, who was responsible for the leadership and effective running of the Board. Mr. Qu Jiguang has also assumed the role as the chief executive officer of the Company, who was delegated with the responsibilities to lead the management implementing the business strategies of the Group. The Company believes that vesting both roles in Mr. Qu Jiguang will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

INDEPENDENT REVIEW OF AUDITORS

The interim financial report for the six months ended 30 June 2016 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report.

AUDIT COMMITTEE

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 20 September 2016 to Thursday, 22 September 2016 (both days inclusive), during which period, no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Monday, 19 September 2016.

On behalf of the Board

Qu Jiguang

Chairman

Hong Kong, 30 August 2016

Review report to the board of directors of SSY Group Limited

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 28 to 50 which comprises the consolidated statement of financial position of SSY Group Limited (the "Company") as of 30 June 2016 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*for the six months ended 30 June 2016 (unaudited)
 (Expressed in Hong Kong dollars)*

	Note	Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Revenue			
Cost of sales	4	1,109,112 (559,039)	1,061,389 (567,681)
Gross profit		550,073	493,708
Other income		46,779	38,501
Selling and distribution costs		(157,257)	(116,640)
General and administrative expenses		(150,209)	(98,256)
Profit from operations		289,386	317,313
Finance income		1,090	1,702
Finance costs		(27,286)	(20,819)
Finance costs — net	5(a)	(26,196)	(19,117)
Share of losses of a joint venture		(1,189)	(387)
Profit before taxation	5	262,001	297,809
Income tax	6	(51,567)	(47,271)
Profit for the period		210,434	250,538
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		(79,557)	986
Other comprehensive income for the period		(79,557)	986
Total comprehensive income for the period		130,877	251,524

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*for the six months ended 30 June 2016 (unaudited)
(Expressed in Hong Kong dollars)*

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

The notes on pages 36 to 50 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 12(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 (unaudited)

(Expressed in Hong Kong dollars)

	Note	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Non-current assets			
Property, plant and equipment	8	2,565,068	2,693,812
Land use rights	8	263,394	271,794
Intangible assets	8	379,769	381,454
Deferred tax assets		3,967	4,147
Investments in a joint venture		20,782	22,395
Long-term receivables		1,170	1,194
		3,234,150	3,374,796
Current assets			
Inventories		295,153	282,518
Trade and bills receivables	9	929,929	935,426
Prepayments, deposits and other receivables		141,458	75,531
Pledged bank deposits		626	859
Cash and cash equivalents		373,323	338,964
		1,740,489	1,633,298
Current liabilities			
Borrowings	10	685,754	687,742
Trade payables	11	221,159	269,502
Advanced receipts from customers		10,406	10,196
Accruals and other payables		261,251	445,154
Income tax payable		27,605	21,723
		1,206,175	1,434,317
Net current assets		534,314	198,981
Total assets less current liabilities		3,768,464	3,573,777

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 (unaudited)
(Expressed in Hong Kong dollars)

	Note	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Non-current liabilities			
Borrowings	10	1,085,664	1,125,351
Deferred tax liabilities		25,357	23,631
Deferred revenue		7,970	5,743
Other non-current liabilities		—	23,873
		1,118,991	1,178,598
NET ASSETS		2,649,473	2,395,179
CAPITAL AND RESERVES	12		
Share capital		63,700	62,851
Reserves		2,585,222	2,331,665
Total equity attributable to equity shareholders of the Company		2,648,922	2,394,516
Non-controlling interests		551	663
TOTAL EQUITY		2,649,473	2,395,179

Approved and authorised for issue by the board of directors on 30 August 2016.

Qu Jiguang
Director

Wang Xianjun
Director

The notes on pages 36 to 50 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016 (unaudited)

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Share-based payment reserve HK\$'000	Currency translation differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2015	66,177	1,313,850	176,819	176,049	—	146,197	1,373,410	3,252,502	668	3,253,170
Changes in equity for the six months ended 30 June 2015:										
Profit for the period	—	—	—	—	—	—	250,501	250,501	37	250,538
Other comprehensive income	—	—	—	738	—	247	250,501	985	1	986
Total comprehensive income	—	—	—	738	—	247	250,501	251,486	38	251,524
Dividends paid to equity shareholders of the Company	—	(212,125)	—	—	—	—	(298,462)	(510,587)	—	(510,587)
Balance at 30 June 2015 and 1 July 2015	66,177	1,101,725	176,819	176,787	—	146,444	1,325,449	2,993,401	706	2,994,107
Changes in equity for the six months ended 31 December 2015:										
Profit for the period	—	—	—	—	—	—	152,915	152,915	—	152,915
Other comprehensive income	—	—	—	(2,669)	—	(176,576)	—	(179,245)	(43)	(179,288)
Total comprehensive income	—	—	—	(2,669)	—	(176,576)	152,915	(26,330)	(43)	(26,373)
Purchase and cancellation of own shares	(3,326)	(538,197)	—	—	—	—	—	(541,523)	—	(541,523)
Grant of share options	—	—	—	—	39,431	—	—	39,431	—	39,431
Dividends paid to equity shareholders of the Company	—	(70,463)	—	—	—	—	—	(70,463)	—	(70,463)
Transfer to statutory reserve	—	—	—	49,879	—	—	(49,879)	—	—	—
Balance at 31 December 2015	62,851	493,065	176,819	223,997	39,431	(30,132)	1,428,485	2,394,516	663	2,395,179

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016 (unaudited)

(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company									Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Share- based payment reserve HK\$'000	Currency translation differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
Balance at 1 January 2016	62,851	493,065	176,819	223,997	39,431	(30,132)	1,428,485	2,394,516	663	2,395,179
Changes in equity for the six months ended 30 June 2016:										
Profit for the period	—	—	—	—	—	—	210,428	210,428	6	210,434
Other comprehensive income	—	—	—	—	—	(79,544)	—	(79,544)	(13)	(79,557)
Total comprehensive income	—	—	—	—	—	(79,544)	210,428	130,884	(7)	130,877
Purchase and cancellation of own shares	12(b)	(20)	(1,915)	—	—	—	—	(1,935)	—	(1,935)
Grant of share options	12(c)	—	—	—	—	26,686	—	—	26,686	—
Shares issued under share option scheme	12(c)	300	34,248	—	—	(4,848)	—	—	29,700	—
Issue of new shares	12(d)	569	68,502	—	—	—	—	—	69,071	—
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	—	(105)	(105)
Balance at 30 June 2016	63,700	593,900	176,819	223,997	61,269	(109,676)	1,638,913	2,648,922	551	2,649,473

The notes on pages 36 to 50 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2016 (unaudited)

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Operating activities		
Cash generated from operations	169,250	256,804
Interest paid	(26,044)	(25,233)
Income tax paid	(43,704)	(41,150)
Net cash generated from operating activities	99,502	190,421
Investing activities		
Purchase of land use rights	—	(26,629)
Purchase of property, plant and equipment	(45,612)	(188,736)
Purchase of intangible assets	(12,002)	(4,790)
Proceeds from disposals of property, plant and equipment	9,986	3,945
Payments for acquisition of a subsidiary	(14,612)	—
Payments for acquisition of equity interest in a joint venture	—	(25,357)
Payments for acquisition of additional interests in a subsidiary	(105)	—
Proceeds from disposal of a subsidiary	—	272,000
Interest received	1,090	1,702
Net cash (used in)/generated from investing activities	(61,255)	32,135

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2016 (unaudited)

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Financing activities		
Proceeds from exercise of share options	29,700	—
Payments for repurchase of own shares of the Company	(1,935)	—
Proceeds from borrowings	508,159	669,454
Repayments of borrowings	(534,687)	(326,568)
Dividends paid to equity shareholders of the Company	—	(510,587)
Net cash generated from/(used in) financing activities	1,237	(167,701)
Net increase in cash and cash equivalents	39,484	54,855
Cash and cash equivalents at 1 January	338,964	325,224
Effect of foreign exchanges rates changes	(5,125)	(514)
Cash and cash equivalents at 30 June	373,323	379,565

The notes on pages 36 to 50 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL INFORMATION

SSY Group Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in the research, development, manufacturing and selling of a wide range of finished medicines, bulk pharmaceutical products and medical materials. The Group has manufacturing plants in Hebei Province and Jiangsu Province, the People's Republic of China ("Mainland China"), and sells to customers mainly in the Mainland China.

The Company is an exempted company with limited liability established under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of Cayman Islands. The address of the Company's registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2005.

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

2. BASIS OF PREPARATION (Continued)

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 26 and 27.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2016.

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments, namely intravenous infusion solution and others and medical materials. The entire segment of medical materials was acquired on 30 September 2015. No operating segments have been aggregated to form the following reportable segments.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Six months ended 30 June 2016			
	Intravenous infusion solution and others HK\$'000	Medical materials HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue from external customers	1,036,716	72,396	—	1,109,112
Inter-segment revenue	—	40,580	—	40,580
Reportable segment revenue	1,036,716	112,976	—	1,149,692
Operating profit/(loss) segment results	313,104	9,971	(34,878)	288,197
Finance income	1,073	17	—	1,090
Finance costs	(26,342)	(944)	—	(27,286)
Profit/(loss) before income tax	287,835	9,044	(34,878)	262,001
Income tax expenses	(50,129)	(1,438)	—	(51,567)
Reportable segment profit/(loss) for the period	237,706	7,606	(34,878)	210,434

4. SEGMENT REPORTING (Continued)

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

Six months ended 30 June 2015

	Intravenous infusion solution and others <i>HK\$'000</i>	Medical materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	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)
Reportable segment profit/(loss) for the period	258,141	—	(7,603)	250,538

At 30 June 2016

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

SSY Group Limited
Interim Report 2016

4. SEGMENT REPORTING (Continued)

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

	At 31 December 2015			
	Intravenous infusion solution and others HK\$'000	Medical materials HK\$'000	Unallocated HK\$'000	Total HK\$'000
Reportable segment assets	4,575,882	376,138	56,074	5,008,094
Reportable segment liabilities	1,836,395	79,141	697,379	2,612,915

5. PROFIT BEFORE TAXATION

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

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

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

5. PROFIT BEFORE TAXATION (Continued)

(b) Other items

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

6. INCOME TAX

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

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

Shijiazhuang No. 4 Pharmaceutical Co., Ltd., Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best") and Hebei Guolong Pharmaceutical Co., Ltd. have been certified as High and New Technology Enterprises in 2015, 2014 and 2014, respectively. According to the tax incentives rules of the CIT Law of the People's Republic of China (the "CIT Law") for High and New Technology Enterprises, these entities are subject to preferential income tax rate of 15% for three years.

The CIT law and its relevant regulations also impose a withholding tax at 10% on the foreign investors with respect to dividend distributions made out of the PRC entities from earnings accumulated from 1 January 2008, unless the foreign investors meet certain requirements specified in the relevant tax regulations in the PRC and accordingly are entitled to a preferential rate of 5%. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

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

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$210,428,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$250,501,000) and the weighted average of 2,815,760,000 ordinary shares (six months ended 30 June 2015: 2,968,527,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$210,428,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$250,501,000) and the weighted average shares of 2,836,652,000 shares for the six months ended 30 June 2016 (six months ended 30 June 2015: 2,968,527,000 ordinary shares) after adjusting for the effects of dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

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

	Six months ended 30 June	
	2016 '000	2015 '000
Weighted average number of ordinary shares at 30 June (basic)	2,815,760	2,968,527
Effect of deemed issue of shares under the Company's share option scheme	20,892	—
Weighted average number of ordinary shares at 30 June (diluted)	2,836,652	2,968,527

8. LAND USE RIGHT, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Land use rights HK\$'000	Property, plant and equipment HK\$'000	Goodwill HK\$'000	Other intangible assets HK\$'000	Total intangible assets HK\$'000
Six months ended 30 June 2016					
Opening net book amount as at 1 January 2016	271,794	2,693,812	264,139	117,315	381,454
Additions	—	47,856	—	12,002	12,002
Disposals	—	(15,062)	—	—	—
Adjustments	—	—	(1,188)	—	(1,188)
Depreciation/Amortisation	(3,173)	(111,186)	—	(4,887)	(4,887)
Exchange differences	(5,227)	(50,352)	(5,202)	(2,410)	(7,612)
Closing net book amount as at 30 June 2016	263,394	2,565,068	257,749	122,020	379,769
Six months ended 30 June 2015					
Opening net book amount as at 1 January 2015	223,715	2,551,898	255,490	83,344	338,834
Additions	—	182,180	—	4,790	4,790
Disposals	—	(3,608)	—	—	—
Depreciation/Amortisation	(2,539)	(95,268)	—	(2,226)	(2,226)
Exchange differences	74	855	83	28	111
Closing net book amount as at 30 June 2015	221,250	2,636,057	255,573	85,936	341,509

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8. LAND USE RIGHT, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment and internally generated research and development costs with costs of HK\$47,856,000 and HK\$12,002,000 respectively (six months ended 30 June 2015: HK\$182,180,000 and HK\$4,790,000 respectively).

Items of plant and equipment with a carrying amount of HK\$15,062,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$3,608,000), resulting in a gain on disposal of HK\$1,091,000 (six months ended 30 June 2015: HK\$337,000).

As at 30 June 2016, the Group's land use rights and property, plant and equipment with carrying amount of HK\$47,602,000 (31 December 2015: HK\$49,247,000) and HK\$49,538,000 (31 December 2015: HK\$57,119,000), respectively were pledged as collateral for the Group's bank borrowings (note 10).

9. TRADE AND BILLS RECEIVABLES

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

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

10. BORROWINGS

As of the end of the reporting period, the borrowings were repayable as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Non-current		
Non-current portion of long-term bank borrowings	1,085,664	1,125,351
Current		
Current portion of long-term bank borrowings	106,357	1,432
Short-term bank borrowings	548,976	655,275
Other borrowings	30,421	31,035
	685,754	687,742
Total borrowings	1,771,418	1,813,093
Representing:		
— Secured	210,490	322,280
— Unsecured	1,560,928	1,490,813
	1,771,418	1,813,093

As at 30 June 2016, certain of the Group's borrowings were secured by the Group's land use rights with carrying amount of HK\$47,602,000 (31 December 2015: HK\$49,247,000) and property, plant and equipment with a carrying amount of HK\$49,538,000 (31 December 2015: HK\$57,119,000).

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11. TRADE PAYABLES

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

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

12. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

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

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

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

12. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Cancellation of shares

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

(c) Equity settled share-based transactions

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

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

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

12. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Shares issued upon acquisition of a subsidiary

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

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

The Contingent Considerations shall be satisfied in the following manner:

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

12. CAPITAL, RESERVES AND DIVIDENDS (Continued)

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

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

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

The Group paid RMB12,567,200 (equivalent to approximately HK\$14,612,000) to the Vendors in 2016 and issued 28,436,000 Consideration Shares to the Vendors at the issue price of HK\$2.429 per share on 11 April 2016. Accordingly, HK\$568,720 was credited to share capital and HK\$68,502,324 was credited to share premium.

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

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The three-level fair value hierarchy of financial instruments as defined in HKFRS 13, Fair value measurement, has been determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

As at 30 June 2016, the Group did not have any assets or liabilities that were measured at fair value.

The carrying values of receivables (net of impairment provision), payables and current borrowings are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For the six months ended 30 June 2016, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. Moreover, there were no significant reclassifications of financial assets.

14. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Contracted for	32,342	17,070
Authorised but not contracted for	14,266	21,160
	46,608	38,230

15. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	4,685	3,175
Equity-settled share-based payment expenses	26,686	—
	31,371	3,175