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 2017

CHAIRMAN'S STATEMENT

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 2017.

I. RESULT AND DIVIDEND DISTRIBUTION

During 2017, the in-depth consolidation effect began to reveal in the intravenous infusion solutions industry. Numerous small and medium enterprises exited from the industry, the competition became rational and the pace of resurgence of the industry picked up, which obviously benefited the leading enterprises. With a full awareness of the situation, the Company promptly seized this development opportunity, adjusted its product mix, raised its production volume of products, expanded its market coverage and had a historical achievement in its development. The overall corporate strength of the Company reached a higher level, demonstrating additional vitality and resilience in its development.

During the year, the Group achieved a revenue of HK$3,076 million or Renminbi ("RMB") 2,661 million, representing an increase of 30.3% (or 31.5% in RMB) compared with last year, and the gross profit margin increased by 7.1 percentage point. The Group achieved a net profit of HK$665 million or RMB575 million which represented a year-on-year increase of 35.8% (or 37.0% in RMB).

The Board resolved to pay a final dividend of HK$0.04 per share for the year ended 31 December 2017 (amounting to a total of approximately HK$119 million) on 31 May 2018 to the shareholders named in the register of members of the Company on 21 May 2018. Together with an interim dividend of HK$0.03 per share, the full-year dividend in 2017 is HK$0.07 per share, amounting to HK$204 million which represented a 30.8% increase compared with last year.

II. BUSINESS REVIEW

Revenue

For the year ended 31 December 2017, the revenue of the Group amounted to approximately HK$3,076,369,000, representing an increase of 30.3% as compared to HK$2,361,250,000 in last year. A breakdown of the revenue of the Group for the year ended 31 December 2017 is set out as follows:

	2017		2016		
	Sales	**Percentage of sales**	Sales	Percentage of sales	Increase/ (decrease)
	HK$'000	*%*	*HK$'000*	*%*	*%*
Intravenous infusion solution and others	**2,943,560**	**95.7**	2,219,056	94.0	32.6
(Including: Non-PVC soft bag & upright soft bag infusion solution	**1,873,669**	**60.9**	1,337,514	56.7	40.1
PP plastic bottle infusion solution	**589,999**	**19.2**	500,915	21.2	17.8
Glass bottle infusion solution	**320,767**	**10.4**	224,715	9.5	42.7
Others)	**159,125**	**5.2**	155,912	6.6	2.1
Medical materials	**132,809**	**4.3**	142,194	6.0	(6.6)
Total	**3,076,369**	**100**	2,361,250	100	30.3

(1) Sales of Products

During 2017, while strengthening the current penetration in the traditional market, the Company made excellent breakthroughs in its expansion into new markets. The number of provinces with the Company's revenue exceeding RMB100 million increased to 10 from 5 last year; 14 provinces had revenue increased over 50% year-on-year. The market coverage of the Company's products successfully transformed from the original regional market to the national market.

Combining the rapid expansion of the product market, the Company promptly adjusted its product mix, focusing on raising the production capacity of competitive types of products such as non-PVC soft bag, upright soft bag and therapeutic infusion solutions to ensure rapid sales growth of the leading products.

During 2017, the sales volume of intravenous infusion solutions reached 1,300 million bottles/bags, representing an increase of 16.4% year-on-year as compared with 2016. The Group's leading position in the industry was further reinforced and strengthened.

The Group's international operating capability was enhanced significantly, completing 6 international quality audits and certifications including Ethiopia, the Philippines, TGA in Australian and IDA in the Netherlands, achieving product registrations in 80 countries and registering product specifications of 96 varieties. The Group's volume of export and sub-contracting businesses increased by 18%, and it had placed itself among the rank of the "Most Excellent Chinese Brands in Chemical Drug Formulations for Exporting" for the seventh time.

In respect of medical materials business, the sales volumes of disposable rubber stopper, coated rubber stopper and infusion films of Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best") increased by 97%, 42% and 70% respectively, which are encouraging. During 2017, the technological modification of the rubber stopper production line was completed. The level of automation was enhanced and the product quality was effectively improved, satisfying the increasingly higher requirements of packaging materials for pharmaceuticals.

(2) Research and Development of New Products

There has been continuous emergence of new innovations. During 2017, the Group was successively granted the permission to build academician workstation and the Nobel Prize Scientific Workstation. It also submitted an application for the recognition with the title of national enterprise technology centre. A significant progress was made in the research and development of pharmaceuticals, 53 production approvals were granted during the year, including 2 production approvals, namely Sodium Acetate Ringer's Injection, which was the second in the China market and approved together with the original research product, and the bulk pharmaceutical Tenofovir Disoproxil Fumarate. 31 applications for registration were completed, of which 7 were for generic drugs, including Cefdinir capsules and Levamlodipine Beaylate with clinical studies completed and production applied, Terbutaline Sulfate bulk pharmaceuticals and Terbutaline Sulfate spray applied for production, Prucalopride Succinate bulk pharmaceuticals and tablet with bioequivalence clinical studies applied, 9 bulk pharmaceuticals and 12 drug packaging materials completed for associated review registration number according to new national policy. Meanwhile, the Group obtained the transfer of production approvals for 7 bulk pharmaceuticals including Caffeine, Metronidazole and Nifedipine for laying a solid foundation for the Group's whole industry chain development in full speed and the establishment of the "One Body, Two Wings" (bulk pharmaceuticals + formulation) industry pattern.

(3) Development of Projects

During the year, the Company's bulk pharmaceuticals project under Hebei Guangxiang Pharmaceuticals Co., Ltd. in Cangzhou Development Zone commenced. The project will focus on caffeine as its major product, and progressively include other bulk pharmaceuticals, making it the Company's production base for bulk pharmaceuticals.

III. PROSPECTS FOR DEVELOPMENT

In 2018, the economic development of pharmaceuticals has entered a new era, changing its direction to a phase of high quality development. The in-depth consolidation of the intravenous infusion solutions industry provides the market with better assurance in terms of uplifting product qualities and business operation qualities for the whole industry. Embarking on a new historic journey, the Company will adhere to the principle of "Best in Quality; Priority in Efficiency" by fulfilling the requirements of the high quality development and focusing on improving quality and efficiency, with an aim to strengthening its development abilities, reinforcing its results and taking advantage of the trends.

(1) Production and Sales

Following the new changes in the industry policy, the Company will adjust its sales structure to achieve new breakthroughs. With a vision for development and an innovative perspective, the Company will adjust its sales strategy, coordinate the domestic and international markets and promote the improvements in operational quality and efficiency. It is important to take a further step in lean management and allocate resources properly, make further improvements in product mix and product quality. Following the changes in the policies of pharmaceutical tendering/bidding and medical insurance reimbursement, the Company will manage the products' tender prices and regions to further promote the optimal cycle in the market of the Company's competitive infusion solution products through necessary price adjustments.

The Company will increase market share by speeding up approvals for new products to form new sales and profit growth points as soon as possible. In 2018, the large-scale sales for new products such as Sodium Acetate Ringer and Ambroxol in upright soft bags will be realized, in order to enhance the production and sales proportions of the Company in therapeutic infusion solutions, and promote the improvement of the Company's product mix.

The sales target for intravenous infusion solutions in 2018 is 1,500 million bags/bottles, in which the sales target for Non- PVC soft bag infusion is 550 million bags, representing an increase of 14.8%, and the sales target for upright soft bags is 280 million bags, representing a year-on-year increase of 38.3%.

In respect of Jiangsu Best New Medical Material Co. Ltd., through improving the structure of rubber stoppers as well as developing and registering disposable sterilised rubber stoppers for angiography successfully in FDA of the United States, it will export to the market of United States in batches in 2018. Meanwhile, the addition of equipment for new UV color printing on infusion films significantly increases the comprehensive supporting functions of infusion films, and makes use of the advantage of the Group's industry chain to enhance the scale of production and efficiency simultaneously, and establishes core competitive advantages in the medical materials industry.

(2) Research and Development of New Products

Innovation is the leading force for enterprise development, the strategic foundation for achieving sustainable development and the future of the enterprise. In 2018, a total of 180 chemical drug research projects will be carried out, mainly in therapeutic areas involving respiratory system, digestive and metabolism system, nervous system, cardiovascular system, anti-infection and basic infusion solutions (including dialysis and rinsing). Among which, 32 are bulk pharmaceuticals projects, 12 are medical material projects, 66 are oral formulation projects, 47 are injection formulation projects and 23 are rinsing solution, dialysis solution, aerosol and other formulation projects. With respect to project stages, 90 projects are in research and development stage; 34 projects are in the clinical trial stage or pending for clinical trial and 56 projects have been filed with the government and are pending for production approvals. Regarding innovative drugs, the Company has entered into an agreement on transfer of patents and technologies with Zhengzhou University on AND-9, a national type 1 innovative drug used for the treatment of liver fibrosis. It is now subject to pharmacy and pre-clinical verification processes. It is expected that the initial pre-clinical researches will be completed by late 2019 and various stages of clinical permissions will be obtained by late 2020. The screening and improvement of formula, preparation technology study and quality study of anti-tumour high-end liposome injection, a type 2 new drug, are completed. The initial pharmacodynamics studies and assessments of its in vivo and in vitro anti-tumour efficacy have also been completed. It is expected that various stages of clinical permissions can be obtained by mid-2020. The screening of formula, preparation technology study and quality study of long-acting microspheres and microcrystals injection, a type 2 new drug, are completed. Application for clinical permission is expected to be submitted in late 2019.

(3) Development of Projects

The Group will speed up the development of the Guangxiang Pharmaceutical project in Cangzhou and strive to foster the Group in the development of new dynamics. Grasping the opportunity from the deep structural adjustments of the pharmaceutical industry, the Group will proactively build up its competitive advantage with the whole industry chain from pharmaceutical intermediates, bulk pharmaceuticals to formulation preparations. The Group will strive to complete the construction and related certification of the project's caffeine production line in 2018 to fulfill the requirements of industrialized production.

The Group is fully committed to investing into the construction of its pharmaceutical research and development platform, and support projects for pilot-run and industrialized production. Relying on the Company's core business and the innovative team of the pharmaceuticals research institute, we will build a high-standard state-level enterprise technology centre and innovative technology transformation center with the important mission of future development of the Company.

The Group targets to complete the construction of the surgical intravenous infusion solution products line, reaching the annual production capacity of 100 million bags during the year. The Group strives to construct a high-capacity infusion solution production line to guarantee the production of large volume infusion solutions such as dialysis solutions and rinsing solutions.

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	2017 HK$'000	2016 HK$'000
Revenue	*3*	**3,076,369**	2,361,250
Cost of sales		**(1,269,181)**	(1,143,808)
Gross profit		**1,807,188**	1,217,442
Other net income		**6,397**	64,679
Selling and distribution costs		**(656,089)**	(373,160)
General and administrative expenses		**(306,195)**	(268,438)
Profit from operations		**851,301**	640,523
Finance income		**3,430**	2,260
Finance costs		**(57,356)**	(54,118)
Finance costs — net	*4(a)*	**(53,926)**	(51,858)
Share of losses of a joint venture		**—**	(2,211)
Gain on deemed disposal of investment in a joint venture		**—**	1,464
Profit before taxation	*4*	**797,375**	587,918
Income tax	*5*	**(133,649)**	(97,677)
Profit for the year		**663,726**	490,241
Other comprehensive income for the year, net of nil tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**262,707**	(230,387)
Other comprehensive income for the year		**262,707**	(230,387)
Total comprehensive income for the year		**926,433**	259,854

	Note	**2017**	2016
	Note	***HK$'000***	*HK$'000*
Profit attributable to:			
Equity shareholders of the Company		**664,719**	489,535
Non-controlling interests		**(993)**	706
Profit for the year		**663,726**	490,241
Total comprehensive income attributable to:			
Equity shareholders of the Company		**926,894**	259,148
Non-controlling interests		**(461)**	706
Total comprehensive income for the year		**926,433**	259,854
Earnings per share			
— Basic	*6(a)*	**HK$0.2337**	HK$0.1730
— Diluted	*6(b)*	**HK$0.2282**	HK$0.1716

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	Note	31 December 2017 HK$'000	31 December 2016 HK$'000
Non-current assets			
Property, plant and equipment		**2,548,591**	2,393,091
Land use rights		**318,258**	248,771
Intangible assets		**516,858**	418,509
Deferred tax assets		**9,025**	3,053
Long-term receivables		**—**	1,118
		3,392,732	3,064,542
Current assets			
Inventories		**397,680**	278,228
Trade and bills receivables	*7*	**1,230,685**	857,387
Prepayments, deposits and other receivables		**137,426**	88,680
Pledged bank deposits and time deposits		**58,104**	8,201
Cash and cash equivalents		**687,319**	447,036
		2,511,214	1,679,532
Current liabilities			
Borrowings		**900,356**	633,126
Trade payables	*8*	**193,589**	173,746
Advance receipts from customers		**20,689**	15,530
Accruals and other payables		**342,278**	250,033
Income tax payable		**43,388**	23,120
		1,500,300	1,095,555
Net current assets		**1,010,914**	583,977
Total assets less current liabilities		**4,403,646**	3,648,519

	Note	**31 December 2017** **HK$'000**	31 December 2016 *HK$'000*
Non-current liabilities			
Borrowings		**848,353**	934,737
Deferred tax liabilities		**26,169**	26,810
Deferred revenue		**42,382**	2,550
		916,904	964,097
NET ASSETS		**3,486,742**	2,684,422
CAPITAL AND RESERVES	*9*		
Share capital		**64,241**	63,700
Reserves		**3,411,117**	2,612,774
Total equity attributable to equity shareholders of the Company		**3,475,358**	2,676,474
Non-controlling interests		**11,384**	7,948
TOTAL EQUITY		**3,486,742**	2,684,422

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

2. Segment reporting

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

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Unallocated assets mainly comprise corporate cash. Segment liabilities include operating liabilities. Unallocated liabilities mainly comprise corporate borrowings.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit from operations.

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 years ended 31 December 2017 and 2016 is set out below.

	2017			
	Intravenous infusion solution and others	**Medical materials**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**2,943,560**	**132,809**	**—**	**3,076,369**
Inter-segment revenue	**5,505**	**148,769**	**—**	**154,274**
Reportable segment revenue	**2,949,065**	**281,578**	**—**	**3,230,643**
Operating profit/(loss)/ segment results	**859,244**	**9,909**	**(17,852)**	**851,301**
Finance income	**3,089**	**341**	**—**	**3,430**
Finance costs	**(43,841)**	**(2,154)**	**(11,361)**	**(57,356)**
Profit/(loss) before taxation	**818,492**	**8,096**	**(29,213)**	**797,375**
Income tax	**(128,067)**	**(5,582)**	**—**	**(133,649)**
Reportable segment profit/(loss) for the year	**690,425**	**2,514**	**(29,213)**	**663,726**
Amortisation of land use rights	**5,985**	**376**	**—**	**6,361**
Depreciation of property, plant and equipment	**219,536**	**15,803**	**517**	**235,856**
Amortisation of intangible assets	**9,786**	**5,249**	**—**	**15,035**
Write-off of internally generated research and development costs	**6,906**	**—**	**—**	**6,906**
Provision for/(reversal of) impairment of receivables	**76**	**(100)**	**—**	**(24)**
Total assets/reportable segment assets	**5,485,593**	**372,497**	**45,856**	**5,903,946**
Additions to non-current assets	**340,949**	**35,784**	**—**	**376,733**
Total liabilities/reportable segment liabilities	**1,527,923**	**84,569**	**804,712**	**2,417,204**

	2016			
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue from external customers	2,219,056	142,194	—	2,361,250
Inter-segment revenue	—	95,960	—	95,960
Reportable segment revenue	2,219,056	238,154	—	2,457,210
Operating profit/(loss)/ segment results	656,894	26,706	(43,077)	640,523
Finance income	2,223	37	—	2,260
Finance costs	(45,611)	(2,507)	(6,000)	(54,118)
Profit/(loss) before taxation	612,759	24,236	(49,077)	587,918
Income tax	(92,771)	(4,906)	—	(97,677)
Reportable segment profit/(loss) for the year	519,988	19,330	(49,077)	490,241
Amortisation of land use rights	5,658	380	—	6,038
Depreciation of property, plant and equipment	214,932	15,425	771	231,128
Amortisation of intangible assets	4,594	5,288	—	9,882
Provision for/(reversal of) impairment of receivables	1,345	(1,452)	—	(107)
Total assets/reportable segment assets	4,398,839	331,116	14,119	4,744,074
Additions to non-current assets	132,935	15,738	—	148,673
Total liabilities/reportable segment liabilities	1,261,682	99,002	698,968	2,059,652

The directors have also determined that no geographical segment information is presented as over 95% of the Group's revenue and operating profits are derived with the PRC and over 95% of the operating assets and non-current 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 derives revenue principally from the sale of finished medicines of mainly intravenous infusion solution to hospitals and distributors, bulk pharmaceutical products and medical materials. Revenue by major category is as follows:

	2017	2016
	HK$'000	*HK$'000*
Sales of pharmaceutical products	**2,941,892**	2,206,522
Sales of medical materials	**124,448**	140,602
Services income	**3,621**	6,416
Rental income	**2,459**	4,032
Sales of raw materials and by-products	**3,949**	3,678
	3,076,369	2,361,250

For the year ended 31 December 2017, no customer with whom transactions have exceeded 10% of the Group's revenue.

4 Profit before taxation

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

(a) Finance income and costs

	2017	2016
	HK$'000	*HK$'000*
Finance income:		
— Interest income on bank deposits	**(3,430)**	(2,260)
Finance costs:		
— Interest expense of borrowings	**55,979**	53,370
— Other bank charges	**648**	3,321
— Net foreign exchange loss	**729**	1,176
	57,356	57,867
Less: Interest expense capitalised into qualifying assets*	**—**	(3,749)
Finance costs	**57,356**	54,118
Finance costs — net	**53,926**	51,858

* During the year ended 31 December 2016, the borrowing costs have been capitalised at a rate of 4.24% per annum.

(b) ***Staff costs***

	2017 HK$'000	2016 HK$'000
Contributions to defined contribution retirement plan	**33,284**	32,775
Equity-settled share-based payment expenses	**—**	26,686
Salaries, wages and other benefits	**337,348**	278,004
	370,632	337,465

(c) ***Other items***

	2017 HK$'000	2016 HK$'000
Amortisation#		
— land use rights	**6,361**	6,038
— intangible assets	**15,035**	9,882
Less: Amount capitalised as development costs	**(741)**	—
	20,655	15,920
Depreciation#	**235,856**	231,128
Reversal of impairment of		
— trade and bills receivables	**(126)**	(107)
Write-off of internally generated research and development costs	**6,906**	—
Auditors' remuneration — audit services	**2,100**	2,000
Cost of inventories#	**705,650**	618,527
Operating lease charges: minimum lease payments	**9,442**	8,231
Research and development costs (other than amortisation costs)	**98,598**	76,041
Less: Costs capitalised into intangible assets	**(47,378)**	(34,659)
	51,220	41,382
Other expenses		
— transportation expenses	**374,102**	245,446
— utility expenses	**135,109**	142,237
— advertising expenses	**87,267**	7,734
— marketing service expenses	**74,602**	25,148
— travelling, meeting and entertainment expenses	**63,053**	46,002
— surcharges and other tax expenses	**57,548**	45,453

Cost of inventories includes HK$380,651,000 (2016: HK$360,503,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

5. Income tax

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2017	2016
	HK$'000	*HK$'000*
Current tax — the PRC Corporate Income Tax ("CIT")	**141,580**	98,427
Deferred tax — origination and reversal of temporary differences	**(7,931)**	(750)
	133,649	97,677

The Company is incorporated in Cayman Islands as an exempted company and, accordingly, is exempted from payment of Cayman Islands income tax.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2017 and 2016 as the Group did not have any profits assessable to Hong Kong Profits Tax during the current and prior years.

Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No.4"), Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best") and Hebei Guolong Pharmaceutical Co., Ltd. ("Hebei Guolong") have been recognised as High and New Technology Enterprises ("HNTE") in 2015, 2014 and 2014, respectively. According to the tax incentives rules of the CIT Law of the PRC (the "CIT Law") for HNTE, these companies are subject to a reduced corporate income tax rate of 15% for three years. Subject to renewal, Jiangsu Best and Hebei Guolong's HNTE status will enable them to continue to enjoy the preferential income tax rate of 15% from 1 January 2017 to 31 December 2019. The Group believes that Jiangsu Best and Hebei Guolong meet all the criteria for the renewal of HNTE. Therefore, income tax expense of Jiangsu Best and Hebei Guolong for the years ended 31 December 2017 were calculated based on an income tax rate of 15%.

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

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation	**797,375**	587,918
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**124,258**	88,716
Effect of the PRC preferential tax rate	**(2,906)**	(1,849)
Effect of non-deductible expenses	**4,176**	6,679
Effect of unused tax losses not recognised	**2,071**	176
Withholding tax on profit distributions	**6,085**	3,559
Others	**(35)**	396
Actual tax expense	**133,649**	97,677

6. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$664,719,000 (2016: HK$489,535,000) and the weighted average of 2,844,066,000 ordinary shares (2016: 2,830,071,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
	'000	*'000*
Issued ordinary shares at 1 January	**2,839,915**	2,802,191
Effect of purchase and cancellation of own shares	**(839)**	(1,074)
Effect of share options exercised	**4,990**	8,443
Effect of shares issued upon acquisition of a subsidiary	**—**	20,511
Weighted average number of ordinary shares at 31 December	**2,844,066**	2,830,071

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$664,719,000 (2016: HK$489,535,000) and the weighted average of 2,912,733,000 ordinary shares (2016: 2,852,924,000 ordinary shares) after adjusting the effect of dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017	2016
	'000	*'000*
Weighted average number of ordinary shares at 31 December (basic)	**2,844,066**	2,830,071
Effect of deemed issue of shares under the Company's share option scheme	**68,667**	22,853
Weighted average number of ordinary shares at 31 December (diluted)	**2,912,733**	2,852,924

7. Trade and bills receivables

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**920,886**	676,076
Bills receivable	**314,366**	185,701
	1,235,252	861,777
Less: Allowance for doubtful debts	**(4,567)**	(4,390)
	1,230,685	857,387

All of the trade and bills receivables are expected to be recovered within one year.

(a) Ageing analysis

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

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**1,066,454**	719,969
4 to 6 months	**141,624**	109,746
7 to 12 months	**26,263**	31,045
1 to 2 years	**911**	1,017
	1,235,252	861,777

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**4,390**	4,779
Impairment losses reversed	**(126)**	(107)
Exchange adjustments	**303**	(282)
At 31 December	**4,567**	4,390

As at 31 December 2017, impaired trade receivables amounting to approximately HK$4,567,000 (2016: HK$4,390,000) were assessed for impairment and a provision of HK$4,567,000 (2016: HK$4,390,000) 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.

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,066,454**	719,969
Less than 3 months past due	**141,624**	109,746
More than 3 months past due	**22,607**	27,672
	164,231	137,418
	1,230,685	857,387

Trade and bills receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade and bills receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

8. Trade payables

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

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**175,234**	157,751
4 to 6 months	**12,966**	9,761
7 to 12 months	**2,685**	3,490
1 to 3 years	**2,073**	1,917
More than 3 years	**631**	827
	193,589	173,746

9. Dividends and share capital

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2017	2016
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK3.0 cents per share (2016: HK2.5 cents per share)	**85,479**	71,115
Final dividend proposed after the end of the reporting period of HK4.0 cents per share (2016: HK3.0 cents per share)	**118,913**	85,200
	204,392	156,315

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

(ii) Dividends payable to equity shareholders of the Company attributable to previous financial year, approved and paid during the year:

	2017	2016
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3.0 cents per share (2016: nil)	**85,200**	—

(b) Share capital

(i) Issued share capital

	2017		2016	
	No. of shares		No. of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.02 each, issued and fully paid:				
At 1 January	**2,844,609**	**63,700**	2,802,191	62,851
Purchase and cancellation of own shares	**(7,584)**	**(152)**	(1,018)	(20)
Share issued under share option scheme	**34,632**	**693**	15,000	300
Share issued upon acquisition of a subsidiary	—	—	28,436	569
	2,871,657	**64,241**	2,844,609	63,700

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 Province, the People's Republic of China ("Mainland China"), and sells to customers mainly in the Mainland China.

For the year ended 31 December 2017, 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 "PROSPECT FOR DEVELOPMENT".

FINANCIAL PERFORMANCE REVIEW

Revenue

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

As a result of the increases in sales volumes and average selling prices of intravenous infusion solutions, revenue of the Group for the year ended 31 December 2017 increased to HK$3,076,369,000 (2016: HK$2,361,250,000), representing a growth of 30.3% on a year-to-year basis. Among which, revenue from intravenous infusion solution products contributed HK$2,784,435,000 (2016: HK$2,063,144,000), representing a growth of 35% on a year-to-year basis. Among which, revenue from Non-PVC Soft Bag and Upright Soft Bag infusion solution were HK$1,480,081,000 and HK$393,588,000 respectively, totalling HK$1,873,669,000, representing 67.3% of the total revenue from intravenous infusion solution and an increase of 40.1% as compared with last year; revenue from PP Plastic Bottle infusion solution was HK$589,999,000, representing 21.2% of the total revenue from intravenous infusion solution and an increase of 17.8% as compared with last year; revenue from Glass Bottle infusion solution was HK$320,767,000, representing 11.5% of the total revenue from intravenous infusion solution and an increase of 42.7% as compared with last year.

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

Revenue from medical materials products contributed HK$132,809,000 (2016: HK$142,194,000) to the Group, representing a decrease of 6.6% as compared with last year mainly due to a greater devotion of Jiangsu Best's medical materials to the Group's finished products, leading to a drop in external sales of medical materials.

Cost of Sales

The Group's cost of sales increased by 11% from HK$1,143,808,000 for the year ended 31 December 2016 to HK$1,269,181,000 for the year ended 31 December 2017. The cost of direct materials, direct labour and other costs represented approximately 55.6%, 15.7% and 28.7% of the total cost of sales respectively for the year ended 31 December 2017 while their comparative percentages for 2016 were 53.7%, 15.7% and 30.6% respectively.

Gross Profit Margin

For the year ended 31 December 2017, the Group recorded a total gross profit of HK$1,807,188,000 (2016: HK$1,217,442,000). Overall gross profit margin increased by 7.1 percentage point to 58.7% from that of last year 51.6%. The increase of gross profit margin was mainly due to a better product mix from products with higher profit margins and the Group's continuous cost control measures.

Other Net Income

For the year ended 31 December 2017, the Group's other net income amounted to approximately HK$6,397,000 (2016: HK$64,679,000) which mainly represented government grants.

Selling and Distribution Costs

For the year ended 31 December 2017, selling and distribution costs amounted to approximately HK$656,089,000 (2016: HK$373,160,000), which mainly consisted of transportation cost of approximately HK$369,443,000 (2016: HK$241,456,000), advertising and market research expenses of approximately HK$159,318,000 (2016: HK$32,882,000), staff expenses for sales and marketing staff of approximately HK$51,292,000 (2016: HK$42,724,000) as well as travelling and other disbursements of approximately HK$55,288,000 (2016: HK$38,186,000).

The increase of 75.8% in selling and marketing costs in 2017 as compared with that of 2016 was mainly driven by the growth in the Group's sales volume, which led to increases in transportation cost, advertising and market research expenses due to an expanded sales coverage as well as staff and travelling expenses due to increased number of sales and marketing staff.

General and Administrative Expenses

General and administrative expenses amounted to HK$306,195,000 (2016: HK$268,438,000) for the year ended 31 December 2017 which mainly comprised staff expenses for administrative staff of approximately HK$119,597,000 (2016: HK$88,117,000) as well as depreciation and amortisation expenses of approximately HK$74,347,000 (2016: HK$65,438,000).

The increase of 14.1% in general and administrative expenses in 2017 as compared to that of 2016 was due to the Group's overall expansion in operations offset by the absence of expense for grant of options during 2017, whereas there was a one-off expense of approximately HK$26,686,000 incurred in 2016.

Profit from Operations

The Group's profit from operations in 2017 amounted to HK$851,301,000, representing an increase of 32.9% as compared to HK$640,523,000 in 2016, with operating profit margin (defined as operating profit divided by total revenue) increased to 27.7% (2016: 27.1%). The increase in operating profit margin by 0.6 percentage point was mainly attributable to a better product mix from products with higher profit margins.

Finance Costs

The Group's finance costs in 2017 amounted to HK$57,356,000 (2016: HK$54,118,000), which are mainly related to bank borrowings. The increase in finance costs by 6% was mainly due to an increase in average bank loan balance as compared to that of last year.

Income Tax Expense

The Group believes that Shijiazhuang No. 4 Pharma, Jiangsu Best and Hebei Guolong Pharmaceutical Co., Ltd. are qualified as the High and New Technology Enterprise and thus subject to a 15% preferential income tax in Mainland China for both 2017 and 2016. For the year ended 31 December 2017, the income tax expense increased by 36.8% to HK$133,649,000 (2016: HK$97,677,000) mainly due to a higher profits before taxation as compared to last year.

Profit Attributable to Equity Shareholders

Profit attributable to equity shareholders of the Company in 2017 increased by 35.8% to HK$664,719,000 (2016: HK$489,535,000) with a net profit margin (defined as profit attributable to equity shareholders of the Company divided by total revenue) increased to 21.6% (2016: 20.7%).

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 31 December 2017, the cash and cash equivalents aggregated to HK$687,319,000 (2016: HK$447,036,000), comprising HK$593,520,000 (2016: HK$415,119,000) of cash and cash equivalents denominated in RMB, HK$47,034,000 (2016: HK$17,245,000) in Hong Kong dollars and HK$46,765,000 (2016: HK$14,672,000) in other currencies.

The carrying amounts of the borrowings amounting to HK$1,748,709,000 (2016: HK$1,567,863,000) as at 31 December 2017, comprising HK$846,946,000 (2016: HK$758,690,000) of borrowings denominated in RMB and HK$901,763,000 (2016: HK$809,173,000) in Hong Kong dollars.

Gearing ratio (defined as bank borrowings less cash and cash equivalents divided by total capital less non-controlling interests) decreased from 29.5% as at 31 December 2016 to 23.4% as at 31 December 2017 mainly due to increase in the Group's net asset value as at 31 December 2017 as compared to 31 December 2016.

Current ratio (defined as current assets divided by current liabilities) increased from 1.53 as at 31 December 2016 to 1.67 as at 31 December 2017.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had approximately 3,700 employees (2016: 3,500 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 year ended 31 December 2017 was approximately HK$370,632,000 (2016: HK$337,465,000).

CHARGE ON ASSETS

As at 31 December 2017, the Group's land use right with carrying amount of HK$20,013,000 (2016: HK$19,241,000) and the Group's property, plant and equipment with carrying amount of HK$23,344,000 (2016: HK$28,979,000) were pledged as collateral for the Group's borrowings.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities.

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 2017 and 2016, the exchange rates of converting HK$ into RMB (as calculated in HK$) were:

1 January 2016	0.83778
31 December 2016	0.89451
31 December 2017	0.83591

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save for the purchase of 2,890,000 shares which details are set out in the next paragraph, 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 2017.

During the year ended 31 December 2017, the Company acquired an aggregate of 2,890,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$9,865,000 which details are set out below. All of the 2,890,000 shares were subsequently cancelled on 12 October 2017.

Date of the purchases	**Total number of the ordinary shares purchased**	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*	**Aggregate consideration** *(HK$)*
12 September 2017	1,000,000	3.41	3.34	3,394,000
15 September 2017	1,000,000	3.42	3.40	3,424,000
21 September 2017	790,000	3.43	3.39	2,699,000
28 September 2017	100,000	3.47	3.47	348,000
	2,890,000			9,865,000

SHARE OPTION SCHEME

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

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

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

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

On 19 October 2015, the Company granted a total of 122,000,000 share options to two executive directors of the Company and other management staff of the Group under Share Option Scheme, representing about 4.33% of the issued share capital as at the date immediately before share options were granted. The exercise price was HK$1.98. The exercisable period was from 19 October 2015 to 18 October 2018. During the year ended 31 December 2017, a total of 34,632,000 (2016: 15,000,000) share options were exercised by three (2016: one) of management staff of the Group who was not a Director of the Company. As a result, a total of 34,632,000 (2016: 15,000,000) ordinary shares of the Company was issued during the year.

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. No share option was exercised by Mr. Qu Jiguang during the year ended 31 December 2017 and 2016.

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

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

	2017	2016
Outstanding at the beginning of the year	**229,000,000**	122,000,000
Granted during the year	—	122,000,000
Exercised during the year	**(34,632,000)**	(15,000,000)
Lapsed during the year	—	—
Outstanding and exercisable at the end of the year	**194,368,000**	229,000,000

As at 31 December 2017, the share options granted under Share Option Scheme and remained outstanding had an weighted average exercise price of approximately HK$2.36 (2016: HK$2.30) and a remaining contractual life of approximately 2.36 years (2016: 3.13 years).

Subsequent to the year ended 2017 and up to the date of this announcement, a total of 101,168,000 share options were exercised by certain directors of the Company and one management staff of the Group. Please refer to the share options movements below for details of exercise of these share options.

The details of share options movements during the year months ended 31 December 2017 are shown as follows:

(i) Directors of the Company

				Number of share options			
Name of Director	**Date of grant**	**Exercise price per share**	**Exercisable period**	**Outstanding at 1 Jan 2017**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 Dec 2017 *(Note)***
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
				170,832,000	**—**	**—**	**170,832,000**

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

			Number of share options			
Date of grant	**Exercise price per share**	**Exercisable period**	**Outstanding at 1 Jan 2017**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 Dec 2017 *(Note)***
19 Oct 2015	HK$1.98	19 Oct 2015 — 18 Oct 2018	58,168,000	—	(34,632,000)	23,536,000
			58,168,000	**—**	**(34,632,000)**	**23,536,000**

Assuming that all share options outstanding as at 31 December 2017 are exercised, the Company will receive proceeds of approximately HK$458,049,000 (Note).

Note:

Subsequent to the year ended 2017 and up to the date of this announcement, 30,000,000 share options, 24,416,000 share options, 24,416,000 share options and 22,336,000 shares options were exercised by Mr. Qu Jiguang, Mr. Wang Xianjun, Mr. Su Xuejun and an employee who is not a director of the Company respectively. As a result, the Company had received proceeds of approximately HK$218,313,000 on 24 January 2018 and as at the date of this announcement, the number of share options outstanding are 92,000,000 and 1,200,000 for directors of the Company and employees (other than directors of the Company) respectively. Assuming that all share options outstanding as at the date of this announcement are exercised, the Company will further receive proceeds of approximately HK$239,736,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that a sufficient public float of more than 25% of the issued capital of the Company has been maintained as at the latest practicable date, being 27 March 2018, and at all times during the year ended 31 December 2017.

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 2017.

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 2017 in conjunction with the Group's external auditors.

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement 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 the auditor.

DIVIDENDS

An interim dividend of HK$0.03 per share was declared on 23 August 2017 and paid on 8 September 2017 (2016: HK$0.025 per share).

For the year ended 31 December 2017, the Board recommended a final dividend of HK$0.04 per share (2016: HK$0.03 per share) which, together with the interim dividend, will result in total dividends of HK$0.07 per share for the year ended 31 December 2017 (2016: HK$0.055 per share). The payment of the final dividend is subject to the approval in the forthcoming annual general meeting.

In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting, all property 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Monday, 21 May 2018 which is the Record Date for the proposed final dividend. The proposed final dividend is expected to be paid on or about Thursday, 31 May 2018.

ANNUAL GENERAL MEETING

The 2018 Annual General Meeting of the Company will be held at 2:00 p.m. on 16 May 2018 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 Friday, 11 May 2018 to Wednesday, 16 May 2018, 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Thursday, 10 May 2018.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.ssygroup.com.hk) and on the website of Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2017 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, 27 March 2018

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