石四藥集團有限公司

SSY Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

2018

Interim Report

CORPORATE INFORMATION

STOCK CODE
2005

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

NON-EXECUTIVE DIRECTOR
Mr. Feng Hao

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, 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
SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor
24 Shedden Road
P.O. Box 1586, 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

On behalf of the board of directors (the "Board") of SSY Group Limited (the "Company"), I hereby present the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2018.

I. RESULTS AND DIVIDEND DISTRIBUTION

During the first half of the year, the consolidation effect was further revealed in the intravenous infusion solutions industry. Leading enterprises expanded their market shares and product prices showed a steady growth. The Company seized this historic development opportunity by taking its own advantages in scale, quality and brand, achieving the favorable positions of market expansion with concurrent increases in volume and price. Leveraging on the significant enhancement of operational strength, we reached a historic high in terms of our operating results, and continued to remain the fastest-growing company in the industry.

During the first half of the year, the Group achieved a revenue of HK$2,093 million (or approximately RMB1,705 million), representing an increase of 57.9% (or approximately 45.8% in RMB) compared to the corresponding period of last year, and the gross profit margin increased by 8.2 percentage point. The net profit was HK$446 million (or approximately RMB363 million), representing an increase of 54.7% (or approximately 42.9% in RMB) compared to the corresponding period of last year.

The Directors resolved to pay an interim dividend of HK$0.04 per share on 21 September 2018 to the shareholders named in the register of members of the Company on 10 September 2018, which represented a 33.3% increase compared to the corresponding period of last year. The total amount to be distributed is approximately HK$121 million, representing an increase of 41.5% compared to the corresponding period of last year.

II. BUSINESS REVIEW

(I) Sales of Products

During the first half of the year, the Company put a greater effort into business development, making full use of its dominances in variety, quality, cost and brand as well as coordinating the development of end market. The Company also attracted sales and marketing professionals to expand the clinical business development team and strengthen its market share.

Last year, the Company successfully widened its market coverage from northern China region to the whole country. For the first half of this year, the Company further achieved steady development in the market. The number of provinces with sales exceeding RMB50 million further increased to 14 in the first half of this year, laying a market foundation for the Company's future expansion of its new products.

Production and sales of intravenous infusion solutions, the Company's leading products, were thriving. During the first half of the year, sales volume reached 721 million bottles/bags, representing an increase of 15.0% compared to the corresponding period of last year, in particular, upright soft bags achieved the most significant growth, which represented a year-on-year increase of 39.4%. The proportion of therapeutic infusion solutions began to rise, promoting the improvement of the Company's product mix.

During the period, as the products further reverted to rational pricing, the prices of different products had growth at varying degrees. Besides, the increased proportion of therapeutic infusion solutions in sales contributed to the overall rise in average product prices.

Export sales to foreign countries continued to maintain stable growth. During January to June, the export sales volume increased 28% year-on-year. We completed the export registration procedures and obtained registration certificates in nine countries such as Uruguay, Pakistan, Vietnam, Uzbekistan and Cameroon for 20 product specifications, including Metronidazole and Sodium Chloride Injection, Ciprofloxacin Lactate Injection and 18AA Amino Acid Injection. We also obtained GMP certificate granted by the Philippines Ministry of Health and compliance reports for quality reviews from customers in the Netherlands, France and other countries. The Company was recognized as the "Leading Enterprise in Internationalization of Preparations" in the "2018 Award for Top 100 Internationalized Pharmaceutical Companies" event held by the China Chamber of Commerce for Import & Export of Medicines & Health Products.

Production and sales volume of small liquid injections products in ampoule started to increase rapidly. During the first half of the year, sales volume increased by 92.9% compared to the corresponding period of last year, reaching approximately 30 million units. With more production approvals obtained, the key issue restricting the utilisation rate of production lines of small liquid injections in ampoule will be resolved. In near future, production of small liquid injections in ampules will be realized on a large scale and become one of the new growth points of the Company's results.

In respect of medical materials, Jiangsu Best New Medical Co., Ltd. brought its own technological advantages into full play and implemented differentiated operations, putting effort into the market development of high value-added products such as disposable sterilized rubber stoppers. Through improving the structure of rubber stoppers to meet foreign customers' needs, disposable sterilized rubber stoppers were provided for angiography, which were suitable for international market and successfully registered in the United States. Bulk sales were achieved in the first half of the year and expected to progressively expand the market to replace imported butyl rubber stopper products.

(II) Research and Development of New Products

Technological innovation capabilities have been further enhanced. "Project of Establishment and Application of Soft Bag Infusion Solution Quality Control Technology System" was awarded the First Prize of Hebei Province Science and Technology Progress Award for the year 2017 by the People's Government of Hebei Province, being the only enterprise in the pharmaceutical industry of Hebei Province which received the First Prize for that year. In March 2018, the Company's technology centre was recognized as the National Enterprise Technology Centre, creating a development platform favouring innovative advances of the enterprise.

There has been continuous achievements from new innovations. The Company was granted approvals for drug production and registration for a total of 9 chemical drugs, among which Hemofiltration Solution and Hemofiltration Basic Replacement Fluid were the two crucial products for the Company to enter the hemofiltration market. Large-scale sterile production, instead of clinical configuration, could help effectively avoid the risk of contamination, while relatively less competition in the product market provided better room for market growth. Balanced Salt Solution (Irrigating) was used in ophthalmic operations for irrigating and rinsing, and was the first generic product in the domestic market. The four liquid injection products in polypropylene ampoule for small-volume intravenous infusion further enriched the Company's product lines in polypropylene ampoule packaging.

Consistency evaluation of chemical drugs in oral and injection preparations has been making steady progress. Up to now, studies of various products, including Fluconazole Tablets, Eanitidine Hydrochloride Capsules, Metronidazole Tablets, Fluconazole and Sodium Chloridle Injection Sodium Chloride Injection have been completed, and supplementary applications for the consistency evaluation of generic drugs are going to be submitted in the near future.

(III) Development of Projects

To satisfy the market demand, the Company's construction of the new production line for surgical soft bag intravenous infusion solution in sterile package has been completed in the first half of the year, and is expected to commence operation in the fourth quarter this year. The large-volume soft bag production line is under construction, and is expected to be in conditions ready for production in year 2019. By speeding up the construction of pharmaceutical research & development platform and support projects for pilot-run and industrialized production, they will be ready to use in year 2019.

For the bulk pharmaceuticals project under Hebei Guangxiang Pharmaceutical Co., Ltd., the construction of phase one of the project has been smooth. The project focuses on the production of chemical bulk pharmaceuticals, such as caffeine. At present, the main building for workshop of phase one has been fully topped out. For the equipments required for production, we have completed the tender for procurement, and started the installation upon delivery. For the construction of environmental protection facilities, preliminary works of wastewater biochemical treatment, exhaust gas and highly-concentrated sewage treatment have been completed, and 50% of the civil work has been done.

III. PROSPECTS FOR DEVELOPMENT

Looking ahead for the second half of the year, despite the immensely complex economic conditions in China and numerous potential adverse factors, the pharmaceutical industry will continue to have steady run in general. In terms of intravenous infusion solution industry, upon industry consolidation, the environment in which stronger side always enjoys superiority remains unchanged which fosters the development of leading enterprises. The Company will exert all efforts to capture the historic growth opportunity by expanding its market share, improving its product mix, boosting the sales of approved new products and raising the proportions of the therapeutic infusion solutions in production and sales. These help strengthening the Company's leading position in the intravenous infusion solutions industry.

For the second half of the year, sales for new products such as Sodium Acetate Ringer and Ambroxol in upright soft bags will be realized on a large scale, and surgical soft bag products will be launched on the market in batches. New products will gradually become the new growth point of the Company.

The annual sales target of intravenous infusion solutions is 1,500 million bottles/bags. We will further enhance the production efficiency and exhaust every means to meet the needs under market expansion.

Jiangsu Best New Medical Material Co. Ltd. will continue to improve the sales structure of rubber stoppers, put greater effort into market development of high value-added rubber stoppers such as disposable sterilized rubber stoppers, coated rubber stoppers and pre-filled syringes, and achieve the stable improvement in capacity and efficiency of UV color printing on infusion films. Leveraging on the comprehensive supporting functions, we further establish core competitive advantages in the medical materials field.

Regarding the research and development of new products, the Company will adhere to the new products development idea of "combining generic drugs and innovative drugs" with injection as the basis, reinforcing the Company's technological and product advantages in the intravenous infusion solutions industry of China. Besides, we will comprehensively promote the development of the new products for therapeutic injections and focus on various fields including treatment of chronic diseases and circulatory systems, emergency anesthesia therapy, antipyretic and analgesic therapy, as well as the new anti-infective therapy. We expect to obtain approximately 20 production approvals for injection this year.

Moxifloxacin Hydrochloride Sodium Chloride Injection is likely to be the first batch of generic drugs launched on the domestic market. Together with the Company's existing Bromhexine Hydrochloride Injection, Ambroxol Hydrochloride products as well as pending approval (type 2.1 innovative drug in China) Levornidazole and Sodium Chloride Injection and Doxofylline for Injection, they will form the product portfolio in respiratory field. The approval for the launch of peritoneal products together with approved hemofiltration products will accelerate the forming of Company's product portfolio in the field of kidney disease and dialysis. Meanwhile, to seize high-end market, we will further optimize the product line of polypropylene plastic ampoules. Through developing new microspheres, Liposomal High-end Injection, Lyophilized Powder Injection, Dual-chamber Bag, Multi-chamber Bag and Aseptic Filling Injection, the Company gradually establishes its leading position in injections in terms of high-end drug delivery system and innovative packaging form. We will continue to conduct various bulk pharmaceuticals and oral preparations projects, which include AND-9 innovative drug under type 1 chemical drug and Miriplatin innovative drug under type 2 chemical drug. We will also put strenous efforts in the development of innovative drugs which are not yet meeting clinical criterias, in order to create the third growth pole for the Company's oral preparations.

For the second half of the year, pharmaceuticals project under Hebei Guangxiang Pharmaceutical Co., Ltd. will work on the installation and calibration of the equipments, pipelines and their relevant supporting electricity and automation works. Along with good practices in the quality and progress control of each construction items, we will work on the certification of construction works and, by phases, linkage commissioning and preparations for trial run by the end of the year, in order to achieve the goal of project development with quality and quantity guaranteed.

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 intravenous infusion solution products will be further strengthened despite strong market competition. 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 Company.

Qu Jiguang
Chairman

Hong Kong, 27 August 2018

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 "Mainland China"), and sells to customers mainly in the Mainland China.

For the six months ended 30 June 2018, 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".

PRINCIPLE RISKS AND UNCERTAINTIES

Save as any adverse change to the pharmaceutical industry environment and government policy uncertainty about intravenous infusion solution in the Mainland China which together would be regarded as principal risks and uncertainties, other risk issues had been evaluated by the Company as set out in the Chairman Statement.

COMPLIANCE WITH LAWS AND REGULATIONS

For the six months ended 30 June 2018, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a pharmaceutical enterprise, the Group recognizes the importance of environmental sustainability and green manufacturing. The Group has set out policies to ensure its production to be in compliance with environmental requirements under the GMP standard and other relevant laws and regulations. For operating practices, the Group persistently adopted measures with low energy consumption and low pollution level, and encouraged its employees to put relevant environmental factors into consideration from time to time. Moreover, the Group has provided a green and eco-friendly working environment for its employees.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group believes that employees are valuable assets. The Group provides competitive remuneration package to employees and is periodically reviewed with reference to industry practice. 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 Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. The Group has been working continuously with its suppliers to improve the standard of raw materials, and aiming at delivering products with high quality to its customers. For the six months ended 30 June 2018, there was no material and significant dispute between the Group and its suppliers and/or customers.

FINANCIAL PERFORMANCE REVIEW

REVENUE

	For the six months ended 30 June				
	2018		2017		
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue	Increase
	HK$'000	***%***	*HK$'000*	*%*	*%*
Intravenous infusion solution and others	**2,011,191**	**96.1**	1,261,165	95.2	59.5
(Including: Non-PVC soft bag & upright soft bag infusion solution	**1,249,188**	**59.7**	812,760	61.3	53.7
PP plastic bottle infusion solution	**399,252**	**19.1**	257,181	19.4	55.2
Glass bottle infusion solution	**229,990**	**11.0**	117,437	8.9	95.8
Others)	**132,761**	**6.3**	73,787	5.6	79.9
Medical materials	**81,575**	**3.9**	64,172	4.8	27.1
Total	**2,092,766**	**100**	1,325,337	100	57.9

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 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 six months ended 30 June 2018 increased by 57.9% from HK$1,325,337,000 in corresponding period of last year to HK$2,092,766,000. Among which, revenue from intravenous infusion solution accounted for HK$1,878,430,000 (30 June 2017: HK$1,187,378,000), representing an increase of 58.2% as compared with corresponding period of last year. Among which, revenue from Non-PVC Soft Bag and Upright Soft Bag Infusion Solution were HK$922,568,000 and HK$326,620,000 respectively, totalling HK$1,249,188,000, an increase of 53.7% as compared with corresponding period of last year and accounted for 66.5% of revenue from intravenous infusion solution; revenue from PP Plastic Bottle Infusion Solution was HK$399,252,000 an increase of 55.2% as compared with corresponding period of last year and accounted for 21.3% of revenue from intravenous infusion solution; revenue from Glass Bottle Infusion Solution was HK$229,990,000, an increase of 95.8% as compared with corresponding period of last year and accounted for 12.2% 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 as well as increasing the proportion of therapeutic infusion solution among its revenue.

Revenue from medical materials products contributed HK$81,575,000 (30 June 2017: HK$64,172,000) to the Group, representing an increase of 27.1% as compared with corresponding period of last year mainly due to an increased capacity after upgrade of its production facilities.

COST OF SALES

The Group's cost of sales increased by 29.4% to HK$772,557,000 for the six months ended 30 June 2018 as compared to the corresponding period last year of HK$597,206,000. The cost of direct materials, direct labour and other costs represented approximately 57.7%, 15.3% and 27.0% of the total cost of sales respectively, while their comparative percentages for the corresponding period last year were 54.2%, 13.8% and 32.0% respectively.

GROSS PROFIT MARGIN

For the six months ended 30 June 2018, the Group recorded a total gross profit of HK$1,320,209,000 (30 June 2017: HK$728,131,000). Overall gross profit margin increased by 8.2 percentage point to 63.1% for the six months ended 30 June 2018 from 54.9% 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 NET INCOME

For the six months ended 30 June 2018, the Group's other net income increased to approximately HK$5,120,000 (30 June 2017: HK$2,511,000) which mainly represented government grants.

SELLING AND DISTRIBUTION COSTS

For the six months ended 30 June 2018, selling and distribution costs amounted to approximately HK$629,609,000 (30 June 2017: HK$233,594,000), which mainly consisted of transportation cost of approximately HK$308,922,000 (30 June 2017: HK$161,107,000), advertising and market research expenses of approximately HK$251,309,000 (30 June 2017: HK$31,840,000), salary expenses for sales and marketing staff of approximately HK$25,378,000 (30 June 2017: HK$18,678,000) as well as travelling and other disbursements of approximately HK$34,362,000 (30 June 2017: HK$13,406,000).

Selling and distribution expenses increased by 169.5% for the six months ended 30 June 2018 as compared with corresponding period of last year. Such increase is 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 expanded sales and products coverage, as well as increase in staff and travelling expenses due to more visits to customers by sales and marketing staff.

GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2018, general and administrative expenses was approximately HK$150,608,000 (30 June 2017: HK$121,755,000) which mainly comprised of salaries expenses for administrative staff of approximately HK$52,451,000 (30 June 2017: HK$50,949,000) as well as depreciation and amortisation expenses of approximately HK$44,933,000 (30 June 2017: HK$36,662,000).

The increase of 23.7% in general and administrative expense as compared to that of the corresponding period last year was mainly due to the Group's overall expansion in operations.

PROFIT FROM OPERATIONS

For the six months ended 30 June 2018, the Group's profit from operations amounted to HK$545,112,000, representing an increase of 45.2% as compared to HK$375,293,000 of the corresponding period last year, while the operating profit margin (defined as profit from operations divided by total revenue) decreased to 26.0% from 28.3% of the corresponding period last year as a result of higher selling and distribution costs.

FINANCE COSTS

The Group's net finance costs amounted to HK$22,035,000 for the six months ended 30 June 2018 (30 June 2017: HK$21,838,000), which consisted of mainly interest expenses of bank borrowings.

INCOME TAX EXPENSE

The Group believes that Shijiazhuang No. 4 Pharma, Jiangsu Best and Hebei Guolong Pharmaceutical Co., Ltd. were qualified as the High and New Technology Enterprise and thus subject to a 15% preferential income tax in Mainland China for both 2018 and 2017. For the six months ended 30 June 2018, the income tax expense increased by 16.4% to HK$76,385,000 (30 June 2017: HK$65,630,000) mainly due to a higher profit before taxation of the Group as compared to the corresponding period last year.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 increased by 54.7% to HK$445,545,000 (30 June 2017: HK$288,016,000). The net profit margin (defined as profit attributable to equity shareholders of the Company for the period divided by total revenue) slightly decreased to 21.3% from 21.7% of the corresponding period last year.

INTERIM DIVIDEND

The Directors resolved to pay on 21 September 2018 an interim dividend of HK4 cents per share (amounting to a total of approximately HK$120,561,000) for the six months ended 30 June 2018 (30 June 2017: HK3 cents per share) to the shareholders named in the register of members of the Company on 10 September 2018.

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 2018, the Group's cash and cash equivalents aggregated to HK$691,723,000 (31 December 2017: HK$687,319,000), mostly were denominated in Renminbi ("RMB").

As at 30 June 2018, the Group's bank borrowings amounted to HK$1,045,271,000 (31 December 2017: HK$1,748,709,000), comprising HK$321,433,000 (31 December 2017: HK$846,946,000) of borrowings denominated in RMB and HK$723,838,000 (31 December 2017: HK$901,763,000) in Hong Kong dollars. All of the Group's bank borrowings were repayable within 5 years, mostly bearing interest at floating rate. Please refer to note 10 to the financial statements for details of repayment, security and fulfilment of covenants.

Gearing ratio (defined as bank borrowings less cash and cash equivalents divided by total capital less non-controlling interests) significantly decreased from 23.4% as at 31 December 2017 to 8.0% as at 30 June 2018 mainly due to a net repayment of bank borrowings during the six months ended 30 June 2018.

Current ratio (defined as current assets divided by current liabilities) further improved from 1.67 as at 31 December 2017 to 2.53 as at 30 June 2018.

As at 30 June 2018, the Group's total capital commitments outstanding but not provided for was HK$264,493,000 (31 December 2017: HK$258,347,000).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had approximately 3,700 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 senor management and his/her contribution to the Group.

The total remuneration cost incurred by the Group for the six months ended 30 June 2018 was approximately HK$195,689,000 (30 June 2017: HK$152,416,000).

CHARGE ON ASSETS

As at 30 June 2018, the Group's land use right with carrying amount of HK$19,557,000 (31 December 2017: HK$20,013,000) and the Group's property, plant and equipments with carrying amount of HK$22,597,000 (31 December 2017: HK$23,344,000) were pledged as collateral for the Group's bank 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 2017	0.89451
30 June 2017	0.86792
1 January 2018	0.83591
30 June 2018	0.84310

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2018.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's listed securities for the six months ended 30 June 2018.

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 six months ended 30 June 2018, a total of 72,368,000 (year ended 31 December 2017: 34,632,000) share options were exercised by two (year ended 31 December 2017: three) of management staff of the Group who was not a director of the Company and two (year ended 31 December 2017: nil) executive directors of the Company. As a result, during the six months ended 30 June 2018, a total of 72,368,000 (year ended 31 December 2017: 34,632,000) ordinary shares of the Company was issued.

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. During the six months ended 30 June 2018, a total of 70,000,000 (year ended 31 December 2017: nil) share options were exercised by Mr. Qu Jiguang and, as a result, a total of 70,000,000 (year ended 31 December 2017: nil) ordinary shares of the Company was issued.

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

	Six months ended 30 June 2018	Year ended 31 December 2017
Outstanding at the beginning of the period/year	**194,368,000**	229,000,000
Granted during the period/year	**—**	—
Exercised during the period/year	**(142,368,000)**	(34,632,000)
Lapsed during the period/year	**—**	—
Outstanding and exercisable at the end of the period/year	**52,000,000**	194,368,000

As at 30 June 2018, the share options granted under Share Option Scheme and remained outstanding had an weighted average exercise price of approximately HK$2.58 (31 December 2017: HK$2.36) and a remaining contractual life of approximately 2.79 years (31 December 2017: 2.36 years).

The details of share options movements during the six months ended 30 June 2018 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 2018	Granted during the period	Exercised during the period	Outstanding at 30 Jun 2018
Mr. Qu Jiguang	15 Apr 2016	HK$2.58	15 Apr 2016 — 14 Apr 2021	122,000,000	—	(70,000,000)	52,000,000
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	**—**	**(118,832,000)**	**52,000,000**

(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 2018	Granted during the period	Exercised during the period	Outstanding at 30 Jun 2018
19 Oct 2015	HK$1.98	19 Oct 2015 — 18 Oct 2018	23,536,000	—	(23,536,000)	—
			23,536,000	**—**	**(23,536,000)**	**—**

Assuming that all share options outstanding as at 30 June 2018 are exercised, the Company will receive proceeds of HK$134,160,000.

DIRECTORS

The Directors during the six months ended 30 June 2018 and up to the date of this Interim Report were:

Executive Directors

Mr. Qu Jiguang
Mr. Wang Xianjun
Mr. Su Xuejun

Non-executive Director

Mr. Feng Hao

Independent Non-executive Directors

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

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service agreement with the Company for an initial term of 3 years commencing from the appointment date renewable for successive terms of 3 years commencing from the day next after the expiry of the then current term of the appointment.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 16 to the financial statements, no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2018 or at any time during the six months ended 30 June 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the interest of Directors of the Company in businesses which was likely to compete with the Group during the six months ended 30 June 2018 and as at 30 June 2018 were as follows:

Non-executive Director, Mr. Feng Hao (who was appointed on 24 November 2017), has been a deputy general manager and the secretary to the board of directors of Sichuan Kelun Pharmaceutical Co., Ltd. ("Sichuan Kelun", a substantial shareholder of the Company) since April 2014. Sichuan Kelun is engaged in the same industry of manufacturing and selling of intravenous infusion solution as the Group. Although some of the business conducted by Sichuan Kelun are similar to those conducted by the Group, most of them are of different kinds of products and/or at different locations. The Group has been operating independently of, and at the arm's length from, the businesses of Sichuan Kelun. Furthermore, all directors of the Company are reminded of their fiduciary duties to the Group and that they must, in the performance of their duties of directors, avoid actual and potential conflicts of interest and duty. There are three Independent non-executive Directors in the Board to ensure that the interests of the general shareholders are adequately represented. Therefore, the Board is of the view that the interests of the Group and of the shareholders as a whole are properly safeguarded.

Save as disclosed above, as at 30 June 2018 and up to the date of this Interim Report, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

As at 30 June 2018, 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	52,000,000	1.72%
	Beneficial owner	Long	225,746,000	7.49%
	Interest in a controlled corporation *(Note 2)*	Long	733,856,000	24.35%
Mr. Wang Xianjun	Beneficial owner	Long	24,416,000	0.81%
Mr. Su Xuejun	Beneficial owner	Long	24,416,000	0.81%

Notes:

1. These shares represent the underlying interest in shares of the Company pursuant to share options outstanding as at 30 June 2018 which were 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 other shareholders. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the shares held by CPCL.

Save as disclosed above, as at 30 June 2018, 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 2018 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 2018, 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	52,000,000	1.72%
	Beneficial owner	Long	225,746,000	7.49%
	Interest in a controlled corporation *(Note 2)*	Long	733,856,000	24.35%
CPCL *(Note 2)*	Beneficial owner	Long	733,856,000	24.35%

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	446,852,000	14.83%
	Beneficial owner	Long	131,232,000	4.35%
Kelun International Development Co., Ltd(科倫國際發展有限公司) *(Note 3)*	Beneficial owner	Long	446,852,000	14.83%
UBS Group AG *(Note 4)*	Interest in a controlled corporation	Long	179,117,320	5.94%
	Person having a security interest in shares	Long	1,332,000	0.05%
	Interest in a controlled corporation	Short	3,967,000	0.13%

Notes:

1. These shares represent the underlying interest in shares of the Company pursuant to share options outstanding as at 30 June 2018 which were 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 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, 6,046,697 shares (long position) and 44,000 shares (short 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 2018.

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 2018, 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 2018 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 of the Company has reviewed the Group's interim report for the six months ended 30 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 September 2018 to Thursday, 13 September 2018 (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 in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Monday, 10 September 2018.

On behalf of the Board
Qu Jiguang
Chairman

Hong Kong, 27 August 2018

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 31 to 58 which comprises the consolidated statement of financial position of SSY Group Limited (the "Company") as of 30 June 2018 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 2018 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

27 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018 (unaudited)

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**2,092,766**	1,325,337
Cost of sales		**(772,557)**	(597,206)
Gross profit		**1,320,209**	728,131
Other net income		**5,120**	2,511
Selling and distribution costs		**(629,609)**	(233,594)
General and administrative expenses		**(150,608)**	(121,755)
Profit from operations		**545,112**	375,293
Finance income		**5,288**	1,337
Finance costs		**(27,323)**	(23,175)
Finance costs – net	*5(a)*	**(22,035)**	(21,838)
Profit before taxation	*5*	**523,077**	353,455
Income tax	*6*	**(76,385)**	(65,630)
Profit for the period		**446,692**	287,825
Other comprehensive income for the period, net of nil tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**(57,692)**	109,760
Other comprehensive income for the period		**(57,692)**	109,760
Total comprehensive income for the period		**389,000**	397,585

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018 (unaudited)
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2018**	2017
		HK$'000	*HK$'000*
Profit attributable to:			
Equity shareholders of the Company		**445,545**	288,016
Non-controlling interests		**1,147**	(191)
Profit for the period		**446,692**	287,825
Total comprehensive income attributable to:			
Equity shareholders of the Company		**392,674**	397,576
Non-controlling interests		**(3,674)**	9
Total comprehensive income for the period		**389,000**	397,585
Earnings per share	*7*		
— Basic		**HK$0.1497**	HK$0.1014
— Diluted		**HK$0.1468**	HK$0.0999

The notes on pages 39 to 58 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 2018 (unaudited)

(Expressed in Hong Kong dollars)

		At 30 June 2018		At 31 December 2017	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*8*		**2,612,387**		2,548,591
Land use rights	*8*		**285,938**		318,258
Intangible assets	*8*		**523,769**		516,858
Deferred tax assets			**12,318**		9,025
Other non-current assets			**9,133**		—
			3,443,545		3,392,732
Current assets					
Inventories		**401,880**		397,680	
Trade and bills receivables	*9*	**1,200,573**		1,230,685	
Prepayments, deposits and other receivables		**170,483**		137,426	
Pledged bank deposits and time deposits		**89,183**		58,104	
Cash and cash equivalents		**691,723**		687,319	
		2,553,842		2,511,214	
Assets held for sale	*13*	**44,208**		—	
		2,598,050		2,511,214	
Current liabilities					
Borrowings	*10*	**307,861**		900,356	
Trade payables	*11*	**182,369**		193,589	
Contract liabilities	*3(c)*	**21,802**		20,689	
Accruals and other payables		**493,241**		342,278	
Income tax payable		**21,855**		43,388	
		1,027,128		1,500,300	
Net current assets			**1,570,922**		1,010,914
Total assets less current liabilities			**5,014,467**		4,403,646

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 (unaudited)

(Expressed in Hong Kong dollars)

	Note	At 30 June 2018		At 31 December 2017	
		HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Non-current liabilities					
Borrowings	*10*	**737,410**		848,353	
Deferred tax liabilities		**24,404**		26,169	
Deferred revenue		**65,707**		42,382	
			827,521		916,904
NET ASSETS			**4,186,946**		3,486,742
CAPITAL AND RESERVES	*12*				
Share capital			**67,088**		64,241
Reserves			**4,004,538**		3,411,117
Total equity attributable to equity shareholders of the Company			**4,071,626**		3,475,358
Non-controlling interests			**115,320**		11,384
TOTAL EQUITY			**4,186,946**		3,486,742

Approved and authorised for issue by the board of directors on 27 August 2018.

Qu Jiguang	**Wang Xianjun**
Director	*Director*

The notes on pages 39 to 58 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 (unaudited)

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	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 2017		63,700	504,605	165,402	228,116	61,269	(260,519)	1,913,901	2,676,474	7,948	2,684,422
Changes in equity for the six months ended 30 June 2017:											
Profit/(loss) for the period		–	–	–	–	–	–	288,016	288,016	(191)	287,825
Other comprehensive income		–	–	–	–	–	109,560	–	109,560	200	109,760
Total comprehensive income		–	–	–	–	–	109,560	288,016	397,576	9	397,585
Dividends paid to equity shareholders of the Company	*12(a)*	–	(85,200)	–	–	–	–	–	(85,200)	–	(85,200)
Cancellation of shares	*12(b)*	(94)	(21,293)	11,320	–	–	–	–	(10,067)	–	(10,067)
Balance at 30 June 2017 and 1 July 2017		63,606	398,112	176,722	228,116	61,269	(150,959)	2,201,917	2,978,783	7,957	2,986,740
Changes in equity for the six months ended 31 December 2017:											
Profit/(loss) for the period		–	–	–	–	–	–	376,703	376,703	(802)	375,901
Other comprehensive income		–	–	–	–	–	152,615	–	152,615	332	152,947
Total comprehensive income		–	–	–	–	–	152,615	376,703	529,318	(470)	528,848
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	3,897	3,897
Purchase and cancellation of own shares		(58)	(15,875)	97	–	–	–	–	(15,836)	–	(15,836)
Share issued under share option scheme		693	79,072	–	–	(11,193)	–	–	68,572	–	68,572
Dividends paid to equity shareholders of the Company		–	(85,479)	–	–	–	–	–	(85,479)	–	(85,479)
Transfer to statutory reserve		–	–	–	3,759	–	–	(3,759)	–	–	–
Balance at 31 December 2017		64,241	375,830	176,819	231,875	50,076	1,656	2,574,861	3,475,358	11,384	3,486,742

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 (unaudited)

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	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 2018		64,241	375,830	176,819	231,875	50,076	1,656	2,574,861	3,475,358	11,384	3,486,742
Changes in equity for the six months ended 30 June 2018:											
Profit for the period		–	–	–	–	–	–	445,545	445,545	1,147	446,692
Other comprehensive income		–	–	–	–	–	(52,871)	–	(52,871)	(4,821)	(57,692)
Total comprehensive income		–	–	–	–	–	(52,871)	445,545	392,674	(3,674)	389,000
Capital contribution from non-controlling interests		–	–	267	–	–	–	–	267	107,610	107,877
Dividends paid to equity shareholders of the Company	*12(a)*	–	(120,561)	–	–	–	–	–	(120,561)	–	(120,561)
Share issued under share option scheme	*12(c)*	2,847	359,677	–	–	(38,636)	–	–	323,888	–	323,888
Balance at 30 June 2018		67,088	614,946	177,086	231,875	11,440	(51,215)	3,020,406	4,071,626	115,320	4,186,946

The notes on pages 39 to 58 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2018 (unaudited)
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2018	2017
		HK$'000	*HK$'000*
Operating activities			
Cash generated from operations		**616,654**	300,379
Interest paid		**(24,712)**	(30,150)
Income tax paid		**(89,254)**	(57,870)
Net cash generated from operating activities		**502,688**	212,359
Investing activities			
Purchase of property, plant and equipment		**(219,640)**	(86,906)
Purchase of intangible assets		**(17,457)**	(60,456)
Proceeds from disposals of property, plant and equipment		**3,147**	2,674
Deposit received in relation to proposed disposal of property, plant and equipment	*13*	**124,030**	—
Other cash flows arising from investing activities		**4,289**	(21,968)
Net cash used in investing activities		**(105,631)**	(166,656)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2018 (unaudited)
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Financing activities			
Proceeds from exercise of share options		**323,888**	—
Proceeds from borrowings		**111,372**	406,442
Repayments of borrowings		**(791,297)**	(354,880)
Dividends paid to equity shareholders of the Company	*12*	**(120,561)**	(85,200)
Proceeds from capital contribution from non-controlling interests		**107,877**	—
Other cash flows arising from financing actives		**—**	(1,438)
Net cash used in financing activities		**(368,721)**	(35,076)
Net increase in cash and cash equivalents		**28,336**	10,627
Cash and cash equivalents at 1 January		**687,319**	447,036
Effect of foreign exchanges rates changes		**(23,932)**	12,287
Cash and cash equivalents at 30 June		**691,723**	469,950

The notes on pages 39 to 58 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 (the "PRC"), and sells to customers mainly in the PRC.

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 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 27 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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 pages 29 and 30.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's annual consolidated financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2018.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

3 **CHANGES IN ACCOUNTING POLICIES** *(continued)*

(a) Overview *(continued)*

HK (IFRIC) 22 does not have a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in this interim financial report.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9 and note 3(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises the cumulative effects of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening statement of financial position at 1 January 2018. Comparative information is not restated.

(b) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group assessed that the cumulative effect of initial application was not material. Therefore no adjustment to the opening equity at 1 January 2018 was made. Comparative information continues to be reported under HKAS 39.

Details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) HKFRS 9, Financial instruments *(continued)*

(i) Classification of financial assets and financial liabilities *(continued)*

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

There is no material impact on the carrying amounts of the assets on adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts, if any. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) HKFRS 9, Financial instruments *(continued)*

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost. The Group assessed that such change in accounting policy does not have a significant impact on the financial statements.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. The information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

— The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) HKFRS 15, Revenue from contracts with customers *(continued)*

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Presentation of contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group changed the name of line item of "Advance receipts from customers" on the face of the consolidated statement of financial position to "Contract liabilities".

4 REVENUE AND 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 following reportable segments.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregation by major products		
— Sales of pharmaceutical products	**2,001,654**	1,254,407
— Sales of medical materials	**81,575**	64,172
— Services income	**7,133**	3,563
— Sales of raw materials and by-products	**2,229**	2,042
	2,092,591	1,324,184
Revenue from other sources		
— Rental income	**175**	1,153
	2,092,766	1,325,337
Disaggregated by geographical location of customers		
— The PRC	**2,028,532**	1,274,290
— Other countries	**64,234**	51,047
	2,092,766	1,325,337

The geographical analysis above includes rental income from external customers in the PRC for the six months ended 30 June 2018 of HK$175,000 (six months ended 30 June 2017: HK$1,153,000).

4 REVENUE AND SEGMENT REPORTING *(continued)*

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as 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 2018			
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Disaggregated by timing of revenue recognition				
Point in time	2,003,883	81,575	—	2,085,458
Over time *(note)*	7,308	—	—	7,308
Revenue from external customers	2,011,191	81,575	—	2,092,766
Inter-segment revenue	11,763	84,076	—	95,839
Reportable segment revenue	2,022,954	165,651	—	2,188,605
Operating profit/(loss)/ segment results	552,635	12,354	(19,877)	545,112
Finance income	5,157	131	—	5,288
Finance costs	(26,518)	(805)	—	(27,323)
Profit/(loss) before income tax	531,274	11,680	(19,877)	523,077
Income tax	(73,347)	(3,038)	—	(76,385)
Reportable segment profit/(loss) for the period	457,927	8,642	(19,877)	446,692

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Information about profit or loss, assets and liabilities *(continued)*

	Six months ended 30 June 2017			
	Intravenous infusion solution and others *HK$'000*	Medical materials *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Disaggregated by timing of revenue recognition				
Point in time	1,256,449	64,172	—	1,320,621
Over time *(note)*	4,716	—	—	4,716
Revenue from external customers	1,261,165	64,172	—	1,325,337
Inter-segment revenue	—	68,596	—	68,596
Reportable segment revenue	1,261,165	132,768	—	1,393,933
Operating profit/(loss)/ segment results	378,005	5,645	(8,357)	375,293
Finance income	1,171	166	—	1,337
Finance costs	(18,481)	(1,295)	(3,399)	(23,175)
Profit/(loss) before income tax	360,695	4,516	(11,756)	353,455
Income tax	(62,700)	(2,930)	—	(65,630)
Reportable segment profit/(loss) for the period	297,995	1,586	(11,756)	287,825

Note: Revenue recognised over time primarily include service income and rental income.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Information about profit or loss, assets and liabilities *(continued)*

	At 30 June 2018			
	Intravenous infusion solution and others	**Medical materials**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Reportable segment assets	**5,612,794**	**392,337**	**36,464**	**6,041,595**
Reportable segment liabilities	**1,762,231**	**52,877**	**39,541**	**1,854,649**

	At 31 December 2017			
	Intravenous infusion solution and others	Medical materials	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	5,485,593	372,497	45,856	5,903,946
Reportable segment liabilities	1,527,923	84,569	804,712	2,417,204

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
(a) Finance income and costs		
Financial income:		
— Interest income on bank deposits	**(4,533)**	(1,337)
— Net foreign exchange gain	**(755)**	—
Financial income	**(5,288)**	(1,337)
Financial costs:		
— Interest expense of borrowings	**27,323**	23,054
— Other bank charges	**—**	119
— Net foreign exchange loss	**—**	2
Financial costs	**27,323**	23,175
Financial costs — net	**22,035**	21,838

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
(b) Other items		
(Gain)/loss on disposal of property, plant and equipment	**(1,902)**	273
Government grants	**(3,218)**	(2,784)
Depreciation of property, plant and equipment	**131,204**	116,523
Amortisation of intangible assets	**9,542**	6,574
Amortisation of land use rights	**3,781**	2,934
Research and development costs	**46,161**	27,829

6 INCOME TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Current tax — PRC corporate income tax ("CIT")	**81,466**	66,573
Deferred taxation	**(5,081)**	(943)
	76,385	65,630

Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No.4"), Jiangsu Best New Medical Material Co., Ltd. ("Jiangsu Best") and Hebei Guolong Pharmaceutical Co., Ltd. have been certified as High and New Technology Enterprises ("HNTE") in 2015, 2017 and 2017, 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. Subject to renewal, Shijiazhuang No.4's HNTE status will enable it to continue to enjoy the preferential income tax rate of 15% from 1 January 2018 to 31 December 2020. The Group believes that Shijiazhuang No.4 meets all the criteria for the renewal of HNTE. Therefore, income tax expense of Shijiazhuang No.4 for the six months ended 30 June 2018 was calculated based on an income tax rate of 15%.

All other subsidiaries of the Company established and operated 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.

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$445,545,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$288,016,000) and the weighted average of 2,976,562,000 ordinary shares (six months ended 30 June 2017: 2,839,915,000 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$445,545,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$288,016,000) and the weighted average number of 3,034,140,000 ordinary shares for the six months ended 30 June 2018 (six months ended 30 June 2017: 2,883,286,000 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	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares at 30 June (basic)	**2,976,562**	2,839,915
Effect of deemed issue of shares under the Company's share option scheme	**57,578**	43,371
Weighted average number of ordinary shares at 30 June (diluted)	**3,034,140**	2,883,286

8 LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment and internally generated research and development costs with costs of HK$241,569,000 and HK$16,895,000 respectively (six months ended 30 June 2017: HK$69,224,000 and HK$20,876,000 respectively).

Items of plant and equipment with a carrying amount of HK$2,355,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: HK$4,715,000), resulting in a gain on disposal of HK$1,902,000 (six months ended 30 June 2017: a loss of HK$273,000).

As at 30 June 2018, the Group's land use rights and property, plant and equipment with carrying amount of HK$19,557,000 (31 December 2017: HK$20,013,000) and HK$22,597,000 (31 December 2017: HK$23,344,000) 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 2018 *HK$'000*	31 December 2017 *HK$'000*
Within 3 months	**989,520**	1,066,454
4 to 6 months	**191,076**	141,624
7 to 12 months	**24,499**	26,263
1 to 2 years	**6**	911
	1,205,101	1,235,252
Less: Allowance for doubtful debts	**(4,528)**	(4,567)
	1,200,573	1,230,685

10 BORROWINGS

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

	30 June 2018 HK$'000	31 December 2017 HK$'000
Within 1 year or on demand	**307,861**	900,356
After 1 year but within 2 years	**32,502**	25,286
After 2 years but within 5 years	**704,908**	823,067
	737,410	848,353
	1,045,271	1,748,709

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

	30 June 2018 HK$'000	31 December 2017 HK$'000
Bank borrowings		
— secured	**84,213**	96,900
— unsecured	**961,058**	1,651,809
	1,045,271	1,748,709

As at 30 June 2018, certain of the Group's borrowings were secured by the Group's land use rights with carrying amount of HK$19,557,000 (31 December 2017: HK$20,013,000) and property, plant and equipment with carrying amount of HK$22,597,000 (31 December 2017: HK$23,344,000).

The Group's drawn down bank facilities of HK$896,054,000 (31 December 2017: HK$1,221,217,000) is subject to the fulfilment of covenants relating to certain specific performance requirements on the Group. If the Group were to breach the covenants, drawn down would become payable on demand. The Group regularly monitors its compliance with covenants. As at 30 June 2018, none of the covenants relating to drawn down facilities had been breached.

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 2018	31 December 2017
	HK$'000	*HK$'000*
Within 3 months	**155,873**	175,234
4 to 6 months	**22,836**	12,966
7 to 12 months	**2,300**	2,685
1 to 3 years	**735**	2,073
More than 3 years	**625**	631
	182,369	193,589

12 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Interim dividend declared and paid after the interim period, of HK4.0 cents per share (30 June 2017: HK3.0 cents per share)	**120,561**	85,199

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

12 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(a) Dividends *(continued)*

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Final dividend proposed after the end of the reporting period of HK4.0 cents per share (30 June 2017: HK3.0 cents per share)	**120,561**	85,200

(b) Purchase and cancellation of shares

During the six months ended 30 June 2018, no shares were repurchased or cancelled. (six months ended 30 June 2017: 4,654,000 ordinary shares were cancelled, which were repurchased in December 2016).

(c) Equity settled share-based transactions

During the six months ended 30 June 2018, a total of 142,368,000 share options were exercised by three directors of the Company and two management staffs, with exercise prices of HK$1.98 or HK$2.58 at a total consideration of HK$323,888,000.

During the six months ended 30 June 2017, no share options were granted or exercised.

13 ASSETS HELD FOR SALE

In December 2016, the Group entered into an agreement (the "Agreement") with a third party, pursuant to which, the Group agreed to transfer certain property and plant located in Hebei Province to the third party.

In December 2016, March 2018 and April 2018, the Group received RMB50,000,000, RMB40,000,000 and RMB65,000,000 respectively from the third party according to the Agreement. As at 30 June 2018, management are in the view that it is highly probable the carrying amount of the property and plant will be recovered through the sale rather than through continuing use and is available for sale in its present condition. Accordingly, the Group classified those assets to assets held for sale in the interim financial report for the six months ended 30 June 2018.

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The three-level fair value hierarchy of financial instruments as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is 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

As at 30 June 2018, the Group did not have any assets or liabilities that were measured at fair value.

The carrying values of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2018.

For the six months ended 30 June 2018, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial instruments. Moreover, there were no significant reclassifications of financial instruments.

15 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Contracted for	**235,745**	231,675
Authorised but not contracted for	**28,748**	26,672
	264,493	258,347

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2018	*2017*
	HK$'000	*HK$'000*
Salaries and other benefits	**5,270**	4,511

(b) Other material related party transactions

On 24 November 2017, Mr. Feng Hao from Sichuan Kelun Pharmaceutical Co., Ltd. ("Sichuan Kelun"), had been appointed as a non-executive director of the Company. On the same date, Sichuan Kelun beneficially owned approximately 20.05% of share capital of the Company. As such, Sichuan Kelun has been regarded as having significant influence over the Company since 24 November 2017 and thus Sichuan Kelun and its subsidiaries (together as "Kelun Group") are related parties of the Company. In addition, the entities controlled by the ultimate controlling shareholder of Sichuan Kelun are also related parties of the Company.

During the six months ended 30 June 2018, the Group: (i) purchased materials and received services totalling RMB7,745,000 (equivalent to HK$9,506,000) from related parties; and (ii) sold goods totalling RMB14,504,000 (equivalent to HK$17,803,000) to related parties.

17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018 *(continued)*

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Amounts payable:		
Within 6 months	**2,004**	1,910
After 6 months but within 1 year	**1,949**	1,911
After 1 year but within 5 years	**7,067**	8,612
After 5 years	**7,576**	7,256
	18,596	19,689

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.