

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



3SBIO INC.

三生制药

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

- Revenue¹ increased by RMB514.5 million or 65.1% to RMB1,304.9 million, as compared to the six months ended 30 June 2015.
- Gross profit¹ increased by RMB442.9 million, or 64.2% to RMB1,133.2 million, as compared to the six months ended 30 June 2015, and gross profit margin was 86.8%.
- Normalized EBITDA^{1,2} increased by RMB181.9 million or 48.8% to RMB554.9 million, as compared to the six months ended 30 June 2015.
- Normalized net profit^{1,3} increased by RMB56.7 million or 19.0% to RMB354.8 million, as compared to the six months ended 30 June 2015.

Notes:

- 1 Guojian's financial information was consolidated into the Group's financial statements since 1 April 2016.
- 2 The normalized EBITDA is defined as EBITDA for the period excluding: (a) the expenses incurred in relation to the acquisition of Guojian (as defined below); (b) warrant expenses associated with the issue of the warrants granted to the management of Guojian (the "**Guojian Warrants**") on 1 January 2015; (c) the expenses incurred in relation to the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"); and (d) the income associated with the fair value gain of the approximately 28.8% equity interest in Guojian previously acquired by the Group in 2014 and 2015.
- 3 The normalized net profit is defined as profit for the period excluding the same items as listed in Note 2 above.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of 3SBio Inc. (“**3SBio**” or the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
REVENUE	4	1,304,866	790,322
Cost of sales		<u>(171,687)</u>	<u>(100,071)</u>
Gross profit		1,133,179	690,251
Other income and gains	4	52,852	41,199
Selling and distribution expenses		(470,882)	(275,963)
Administrative expenses		(161,725)	(99,646)
Other expenses and losses	5	(117,816)	(53,806)
Finance costs	6	(74,456)	(21,802)
Share of losses of associates		<u>(8,557)</u>	<u>(1,931)</u>
PROFIT BEFORE TAX	5	352,595	278,302
Income tax expense	7	<u>(62,600)</u>	<u>(35,794)</u>
PROFIT FOR THE PERIOD		<u>289,995</u>	<u>242,508</u>
Attributable to:			
Owners of the parent		286,852	242,496
Non-controlling interests		<u>3,143</u>	<u>12</u>
		<u>289,995</u>	<u>242,508</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
— Basic (RMB)	9	0.11	0.12
— Diluted (RMB)	9	0.11	0.12

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	<u>289,995</u>	<u>242,508</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Change in fair value of available-for-sale investments, net of tax	584	(1,704)
Exchange differences on translation of foreign operations	(9,116)	(3,538)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	<u>(8,532)</u>	<u>(5,242)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(8,532)</u>	<u>(5,242)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>281,463</u></u>	<u><u>237,266</u></u>
Attributable to:		
Owners of the parent	278,320	237,254
Non-controlling interests	<u>3,143</u>	<u>12</u>
	<u><u>281,463</u></u>	<u><u>237,266</u></u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,735,986	450,254
Prepaid land lease payments		302,639	91,908
Goodwill		3,888,282	560,883
Other intangible assets		1,988,760	497,753
Advance payments for property, plant and equipment		44,818	13,326
Investments in a joint venture		135	130
Investments in associates		21,423	1,729,219
Advance payments for acquisitions		—	505,883
Long-term receivables		76,517	—
Available-for-sale investments		50,000	—
Deferred tax assets		72,483	15,411
Other non-current assets		3,271	2,698
Total non-current assets		<u>8,184,314</u>	<u>3,867,465</u>
CURRENT ASSETS			
Inventories		260,368	134,391
Trade and notes receivables	11	855,097	549,596
Prepaid expenses and other receivables		99,747	147,025
Available-for-sale investments		157,294	81,585
Derivative financial instruments		4,084	—
Non-pledged time deposits with original maturity over three months when acquired		—	519,488
Cash and cash equivalents		768,965	1,299,398
Pledged deposits		554,488	31,484
Total current assets		<u>2,700,043</u>	<u>2,762,967</u>
CURRENT LIABILITIES			
Trade and bills payables	12	55,072	34,444
Other payables and accruals		441,837	309,992
Deferred income		23,352	12,959
Interest-bearing bank borrowings	13	778,320	405,000
Tax payable		64,410	10,215
Total current liabilities		<u>1,362,991</u>	<u>772,610</u>
NET CURRENT ASSETS		1,337,052	1,990,357
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,521,366</u>	<u>5,857,822</u>

	<i>Notes</i>	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>13</i>	2,766,461	—
Deferred income		291,516	122,567
Deferred tax liabilities		299,322	81,790
Other liabilities		23,531	18,000
Total non-current liabilities		3,380,830	222,357
Net assets		6,140,536	5,635,465
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>14</i>	155	154
Share premium		4,367,719	4,355,287
Reserves		1,527,366	1,268,849
		5,895,240	5,624,290
Non-controlling interests		245,296	11,175
Total equity		6,140,536	5,635,465

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Laws on 9 August 2006. It was listed on the National Association of Securities Dealers Automated Quotation (the “**NASDAQ**”) on 7 February 2007. On 29 May 2013, the Company was delisted from the NASDAQ. The registered office address of the Company is the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2016, the Group was principally engaged in the development, production, marketing and sales of pharmaceutical products in the People’s Republic of China (“**PRC**” or “**China**”) except for Hong Kong and Macau (“**Mainland China**”).

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 11 June 2015.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015.

The unaudited interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand, except where otherwise indicated.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") effective as at 1 January 2016 as listed below:

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 16 and IAS 41: *Agriculture: Bearer Plants*
- Amendments to IAS 27: *Equity Method in Separate Financial Statements*
- *Annual Improvements 2012–2014 Cycle*
- Amendments to IAS 1 *Disclosure Initiative*
- Amendments to IFRS 10, IFRS 12, and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The adoption of these new and revised IFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

The Group has only one operating segment, which is the development, production, marketing and sales of pharmaceuticals.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Revenue		
Sale of goods	1,310,891	794,875
Less: Business tax and government surcharges	(6,025)	(4,553)
	<u>1,304,866</u>	<u>790,322</u>
Other income		
Bank interest income	13,321	7,928
Government grants related to		
— Assets	8,288	584
— Income	21,903	4,704
Consulting service income	—	670
Licensing income	—	3,064
Patent and technology know-how transfer income	—	6,000
Distribution received from an associate	2,155	—
Others	1,068	3,329
	<u>46,735</u>	<u>26,279</u>
Gains		
Fair value gain on the revaluation of investment in an associate	6,117	—
Foreign exchange differences	—	14,920
	<u>6,117</u>	<u>14,920</u>
	<u>52,852</u>	<u>41,199</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Cost of inventories sold	171,687	100,071
Depreciation of items of property, plant and equipment	42,733	22,371
Amortisation of other intangible assets	30,412	1,785
Amortisation of prepaid land lease payments	2,574	1,147
Amortisation of long-term deferred expenditures	679	152
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	217,206	110,476
Pension scheme contributions	12,628	8,630
Social welfare and other costs	10,824	6,278
	240,658	125,384
Other expenses and losses:		
Research and development costs	109,603	49,293
Loss on disposal of items of property, plant and equipment	912	175
Provision/(reversal of provision) for impairment of trade receivables	(3,292)	1,244
Provision for impairment of investment in an associate	1,354	—
Reversal of provision for impairment of other receivables	(1,770)	—
Foreign exchange differences	4,176	—
Fair value loss on derivative financial instruments	1,278	—
Others	5,555	3,094
	117,816	53,806

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest on bank borrowings repayable within five years	<u>74,456</u>	<u>21,802</u>

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the relevant rules and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Company and the subsidiaries of the Group incorporated therein are not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2016 as the Group had no assessable profits arising in Hong Kong.

Under the relevant PRC income tax law, except for Shenyang Sunshine Pharmaceutical Co., Ltd. (“**Shenyang Sunshine**”), Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (formerly known as Shanghai CP Guojian Pharmaceutical Ltd.) (“**Guojian**”), Shenzhen Sciprogen Biopharmaceutical Technology Co., Ltd. (“**Sciprogen**”) and Zhejiang Wansheng Pharmaceutical Co., Ltd. (“**Zhejiang Wansheng**”) which enjoy certain preferential treatment available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% on their respective taxable income.

Shenyang Sunshine, Guojian, Sciprogen and Zhejiang Wansheng, which qualify as High and New Technology Enterprises, are subject to a preferential income tax rate of 15% for the six months ended 30 June 2016.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

	For the six months ended 30 June	
	2016	2015
	(unaudited) RMB'000	(unaudited) RMB'000
Current	74,300	53,117
Deferred	(11,700)	(17,323)
Total tax charge for the period	<u>62,600</u>	<u>35,794</u>

8. DIVIDENDS

	For the six months ended 30 June	
	2016	2015
	(unaudited) RMB'000	(unaudited) RMB'000
Proposed and declared dividend	<u>—</u>	<u>119</u>

No dividends were declared or paid by the Company during the six months ended 30 June 2016.

Pursuant to the Board's resolutions dated 6 February 2015, the Company proposed 2015 share dividends with the aggregated amounts of approximately United States Dollar ("USD") 19,000, which was approved by Decade Sunshine Limited, the then sole shareholder of the Company on the same date.

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2016 attributable to the owners of the parent of RMB286,852,000 (for the six months ended 30 June 2015: RMB242,496,000) and the weighted average 2,515,408,014 (for the six months ended 30 June 2015: 1,991,205,431) ordinary shares of the Company in issue during the reporting period, as adjusted to reflect the issue of ordinary shares during the reporting period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to the owners of the parent, the weighted average number of ordinary shares used in the calculation of the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have issued at the exercise price on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to owners of the parent	<u>286,852</u>	<u>242,496</u>
	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period	2,515,408,014	1,991,205,431
Effect of dilution-weighted average number of ordinary shares:		
Warrants	<u>28,152,578</u>	<u>10,758,739</u>
	<u>2,543,560,592</u>	<u>2,001,964,170</u>

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Carrying amount at 1 January	450,254	373,990
Additions	31,618	43,620
Acquisition of subsidiaries	1,296,355	137,813
Depreciation provided during the period/year	(42,733)	(49,863)
Disposals	(1,002)	(3,475)
Disposal of a subsidiary	—	(49,815)
Exchange realignment	1,494	(2,016)
Carrying amount at 30 June/31 December	<u>1,735,986</u>	<u>450,254</u>

A freehold land with a carrying amount of approximately RMB3,755,000 as at 30 June 2016 (31 December 2015: RMB3,613,000) is situated in Italy.

The Group is in the process of applying for the title certificates of certain of its buildings with an aggregate book value of approximately RMB8,428,000 as at 30 June 2016 (31 December 2015: RMB8,679,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 30 June 2016.

Certain of the Group's property, plant and equipment with a net book value of approximately RMB44,260,000 as at 30 June 2016 (31 December 2015: RMB49,538,000) have been pledged as security for the Group's interest-bearing bank borrowings (*note 13*).

11. TRADE AND NOTES RECEIVABLES

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Trade receivables	751,224	425,922
Notes receivable	115,225	138,305
	866,449	564,227
Provision for impairment of trade receivables	(11,352)	(14,631)
	855,097	549,596

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date, is as follows:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Within 1 month	356,107	200,802
1 to 3 months	356,292	188,335
4 to 6 months	20,295	12,127
Over 6 months to 1 year	10,807	9,992
1 to 2 years	4,836	12,483
Over 2 years	2,887	2,183
	751,224	425,922

12. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables of the Group, based on the invoice date, is as follows:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Within 3 months	41,896	23,262
3 to 6 months	2,208	3,442
Over 6 months	<u>10,968</u>	<u>7,740</u>
	<u>55,072</u>	<u>34,444</u>

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
<i>Current</i>		
Short-term bank borrowings, secured	778,320	405,000
<i>Non-Current</i>		
Long-term bank borrowings, secured	<u>2,766,461</u>	<u>—</u>
Total	<u>3,544,781</u>	<u>405,000</u>

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Interest-bearing bank borrowings denominated in:		
— RMB	1,465,900	405,000
— USD	165,780	—
— Hong Kong Dollar (“HKD”)	<u>1,913,101</u>	<u>—</u>
Total	<u>3,544,781</u>	<u>405,000</u>

Notes:

- (i) The short-term bank borrowings bear fixed interest rates varied from 2.5% to 6.72% per annum and are secured by pledged deposits, notes receivable, prepaid land lease payments, property, plant and equipment and equity interests in subsidiaries of the Group.
- (ii) The carrying amounts of the short-term bank borrowings approximate to their fair values.

14. SHARE CAPITAL

Shares	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Issued and fully paid: 2,532,313,570 (31 December 2015: 2,515,313,570) ordinary shares	<u>155</u>	<u>154</u>

A summary of movements in the Company's issued share capital for the six months ended 30 June 2016 is as follows:

	Number of shares in issue	Share capital (unaudited) RMB'000	Share premium (unaudited) RMB'000	Total (unaudited) RMB'000
Ordinary shares of USD0.00001 each at 31 December 2015 and 1 January 2016	2,515,313,570	154	4,355,287	4,355,441
Shares issued upon exercise of warrants	<u>17,000,000</u>	<u>1</u>	<u>12,432</u>	<u>12,433</u>
Ordinary shares of USD0.00001 each at 30 June 2016	<u><u>2,532,313,570</u></u>	<u><u>155</u></u>	<u><u>4,367,719</u></u>	<u><u>4,367,874</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview and Key Events

3SBio is a leading biotechnology company in the PRC. As a pioneer in the PRC biotechnology industry, the Group has extensive expertise in developing, manufacturing and marketing biopharmaceuticals. The core products of the Group include TPIAO (特比澳), Yisaipu (益賽普), a product acquired through the acquisition of Guojian, and EPIAO (益比奧), all three products being market leaders in the PRC. TPIAO is the only commercialized recombinant human thrombopoietin (“rhTPO”) product in the world. According to the data of IMS Health Inc. (“IMS”), the China market share of TPIAO increased to 44.4% for the treatment of thrombocytopenia in the first quarter of 2016. Yisaipu is a TNF α inhibitor product with a dominant market share in China of 64.0% in the first quarter of 2016, according to IMS. According to IMS, the Group, with its two recombinant human erythropoietin (“rhEPO”) products EPIAO and SEPO (賽博爾), is the dominant market leader in the China rhEPO market, with a total market share of 43.7% in the first quarter of 2016.

In January 2016, the Group further acquired (1) approximately 38.5% equity interest in Shanghai Lansheng Guojian Pharmaceutical Company Limited (上海蘭生國健藥業有限公司), which held approximately 41.69% equity interest in Guojian and (2) approximately 0.73% equity interest in Guojian for an aggregate consideration of approximately RMB1,033.3 million. In March 2016, the Group acquired (1) an additional approximate 43.42% equity interest in Guojian for an aggregate consideration comprising of approximately RMB2,713.8 million and options to subscribe for up to a total of 125,765,500 ordinary shares of the Company, subject to certain exercise conditions; and (2) an additional approximate 12.04% equity interest in Guojian for an aggregate consideration of approximately RMB1,218.0 million. After the completion of these acquisitions, the Group collectively controlled approximately 97.78% equity interest in Guojian. The integration of Guojian has been orderly, effective and well-implemented.

According to the IFRSs, the Group began to consolidate Guojian’s financials into its financial information from 1 April 2016. For the avoidance of doubt, unless otherwise indicated, all information and discussions concerning the Group in this announcement shall be inclusive of Guojian.

According to an announcement published on MSCI Inc.’s website on 12 May 2016, 3SBio was added as a constituent to the MSCI China Index after the market closed on 31 May 2016. The Group believes that this will enhance the Group’s profile in the international investment community.

In July 2016, the China Pharmaceutical Industry Information Center (the “CPIIC”) issued the “2015 China Pharma 100” List (the “List”), which ranked the Group as the 85th of the top 100 pharmaceutical companies in China, with the Group being the only biopharmaceutical company elected. CPIIC is an official pharmaceutical information platform of the PRC Ministry of Industry and Information Technology. The List is officially recognized by the local authorities in the government-sponsored competitive bidding process that determines the medicine procurement of state-owned hospitals, as any company elected in the List will be awarded points for the bidding. CPIIC also elected the Group as one of the Best Pharmaceutical R&D Pipeline Companies in China.

During the first half of 2016, despite the challenging market conditions, the Group has made significant progress in research and development (“**R&D**”), sales and marketing and manufacturing. Four of the Group’s 26 active pipeline products received approval of the Investigation New Drug (“**IND**”) application, and are scheduled to move to Phase I clinical trial as early as possible, including PEG-irinotecan, eltrombopag tablets, Trifluridine and Tipiracil Hydrochloride Tablets (曲氟尿苷鹽酸替比拉西片, “**TAS102**”) and an anti-epidermal growth factor receptor (“**anti-EGFR**”) antibody. The Group entered into a strategic collaboration with Sorrento Therapeutics, Inc. (NASDAQ: SRNE) (“**Sorrento**”) and advanced in the chimeric antigen receptor T cell (“**CAR-T**”) field. TPIAO demonstrated strong growth momentum primarily attributable to the increasing recognition by the medical profession and the further penetration into the hospitals covered by the Group’s sales team. The integration of the sales and marketing team was smooth and effective which resulted in stronger growth of Yisaipu. The Group’s rhEPO products continued to outgrow the market. TPIAO received marketing authorization from a member country of the Pharmaceutical Inspection Co-operative Scheme (the “**PIC/S**”), Ukraine. The Group’s monoclonal antibody (“**mAb**”), mammalian cell-based, bacteria cell-based and small molecule manufacturing facilities continue to manufacture high quality pharmaceutical products with scalable manufacturing capacity. The Shenyang facility passed Brazil Good Manufacturing Practice (“**GMP**”) inspection with no deficiency.

Key Products

TPIAO is the Group’s self-developed proprietary product, and has been the only commercialized rhTPO product in the world since its launch in 2006. TPIAO has been approved by the China Food and Drug Administration (the “**CFDA**”) for two indications: the treatment of chemotherapy-induced thrombocytopenia (“**CIT**”) and immune thrombocytopenia (“**ITP**”). TPIAO has the advantages of higher efficacy, faster platelet recovery and fewer side effects as compared to alternative treatments for CIT and ITP. TPIAO has experienced significant sales growth due to increasing physician awareness of its safety and efficacy as a treatment of CIT and ITP and its quick adoption in China. The Group believes TPIAO is still at an early stage of its product life cycle. The Group estimates that the penetration rates for both CIT and ITP indications in China may be approximately 10%. Currently, the majority of the Group’s sales of TPIAO is generated from approximately 12% of the hospitals covered by the Group’s sales team. TPIAO received marketing authorization from the Ministry of Public Health of Ukraine for the treatment of CIT in patients with solid tumors on 24 June 2016. Ukraine is a member of the PIC/S. PIC/S is a non-binding and informal co-operative arrangement between regulatory authorities in the field of GMP of medicinal products for human or veterinary use. PIC/S members include the regulatory authorities of the United States, Japan, Australia, Canada, France, Germany, and the United Kingdom, among others. The marketing authorization received from a PIC/S member will facilitate the review process by other PIC/S members and benefit the Group’s international registration in PIC/S countries and its further expansion into the highly regulated markets. The Group is in the process to initiate clinical trials of TPIAO in the United States, India and Mexico.

Yisaipu, generically known as Etanercept, is a TNF α inhibitor product. It was first launched in 2005 in China for rheumatoid arthritis. Its indications were expanded to ankylosing spondylitis and psoriasis in 2007. Yisaipu has experienced significant growth as the first-to-market etanercept product in China, with a dominant China market share by sales of 64.0% in the first quarter of 2016, according to IMS. The Group believes that Yisaipu is still at an early stage of its product life cycle in China, given the mAb market in China is under-penetrated compared with the global market. Yisaipu has been approved in 9 countries and is in the process of registration in 18 countries.

EPIAO is still the only rhEPO product approved by the CFDA for three indications: the treatment of anemia associated with chronic kidney disease (“**CKD**”), the treatment of chemotherapy-induced anemia (“**CIA**”) and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has consistently been the dominant market leader in the PRC rhEPO market since 2002. EPIAO is the only rhEPO product in China available at 36,000 IU (international unit per vial) dosage, and together with SEPO, claims the majority of the PRC rhEPO market share at 10,000 IU dosage. Future growth for EPIAO may be driven by: (1) the enhancement of the dialysis penetration rate among stages IV and V CKD patients, which the Group believes is substantially lower in China as compared with other countries; and (2) the increase in the applications of EPIAO in reducing allogeneic blood transfusion and CIA oncology indication in China, which the Group believes is at a very early stage of growth. In December 2014, the Group acquired another rhEPO product, SEPO, which helped broaden the Group’s market coverage, especially in hospitals in lower-tier cities, where rhEPO has been experiencing significant growth. While EPIAO faced pressure in certain provincial tendering process, SEPO performed strongly in the lower-tier cities. The Group’s combined rhEPO products franchise continue to be the market leader in the rhEPO segment. According to IMS, the two rhEPO brands of the Group grew by 12.6% in the first quarter of 2016 while the China rhEPO market grew by 11.2%, as compared to the corresponding period of 2015. The Group expects that SEPO will achieve further growth in the lower-tier cities. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand are in good progress and are expected to be completed by the end of 2017.

Qiming Keli (芪明顆粒), Man Di (蔓迪), Di Su (迪蘇) and Lai Duo Fei (萊多菲) were a group of dermatology and ophthalmology drugs acquired in July 2015, which are developed for the treatment of diabetic retinopathy, alopecia areata, chronic bronchitis and chronic idiopathic urticaria, respectively.

Product Pipeline

As at 30 June 2016, of the 26 product candidates within the Group’s active pipeline, 16 have been developed as National Class I New Drugs (國家一類新藥) in the PRC; 13 product candidates in oncology, including 11 mAb therapeutics; 8 product candidates that target auto-immune diseases and metabolic diseases such as rheumatoid arthritis and refractory gout; and 3 product candidates in nephrology, which include the next-generation of erythropoiesis-stimulating agents.

On 6 June 2016, Shenyang Sunshine, a wholly-owned subsidiary of the Company, entered into a legally binding term sheet with TNK Therapeutics (“**TNK**”), a subsidiary of Sorrento, to establish a joint venture company to develop and commercialize (i) proprietary immunotherapies, including those developed from, or using TNK’s CAR-T technology targeting carcinoembryonic antigen (“**CEA**”) positive cancers; and (ii) two more CAR-T candidates for cellular therapy. The anti-CEA CAR-T therapy was originally developed by Sorrento to treat several solid tumors, including liver carcinoma, colorectal cancer (“**CRC**”) and pancreatic cancer. Phase II trials are underway in the United States to treat CEA-positive metastatic breast cancer, CRC, gastric cancer, liver cancer and adenocarcinomas.

Robust and Innovative Product Pipeline Supported by Integrated R&D Platform and Collaboration with Industry Leaders and International Partners

Therapeutic Area	Product Code	Intended Indication	Development Status	Classification
Nephrology	SSS21	Hyperphosphatemia; Hypercholesteremia	IND	Class III Chemical Drug
	SSS06	Anemia associated with CKD	Phase I (completed)	Class I Biologic Drug
	SSS17	Anemia	Pre-IND	Class I Chemical Drug
Oncology	SSS24	Colorectal cancer	Phase I	Class III Chemical Drug
	SSS22	Solid tumors	Phase I	Class I Chemical Drug
	SSS19	Acute leukemia	Pre-clinical	Class I mAb
	SSS23	Cancer	Pre-clinical	Class I mAb
	SSS25	Cancer	Pre-clinical	Class I mAb
	SSS30	Cancer	Pre-clinical	Class I mAb
	302	Metastatic breast cancer, secondary treatment for breast cancer and metastatic stomach cancer	NDA	Class I mAb
	607	Metastatic breast cancer, secondary treatment for breast cancer and metastatic stomach cancer	Pre-clinical	Biosimilar mAb
	304	Non-Hodgkin lymphomas	NDA	Class I mAb
	601t	Non-small cell lung cancer	Pre-IND	Biosimilar mAb
	601a	AMD	Pre-IND	Class I mAb
	701	Metastatic breast cancer	Pre-clinical	Biosimilar mAb
	602	Metastatic colorectal cancer	Phase I	Class I mAb
Auto-Immune Diseases and Other Areas	608	Inflammation; Rheumatoid arthritis	Pre-clinical	Class I mAb
	604	Rheumatoid arthritis	Pre-clinical	Biosimilar mAb
	SSS20	ITP	Phase I	Class III Chemical Drug
	TPIAO	Aplastic anemia	IND for new indication	Class I Biologic Drug
	SSS07	Rheumatoid arthritis	Phase I	Class I mAb
	SSS11	Refractory gout	IND (US P-II)	Class I Biologic Drug
	Apremilast	Psoriatic arthritis	Phase I	Class III Chemical Drug
	301 (Prefilled Syringe)	Rheumatoid arthritis	Phase III (completed)	Class I mAb
Dermatology	Fexofenadine	Seasonal allergic rhinitis Chronic; idiopathic urticaria	New strength (180mg)	Class VI Chemical Drug
	Clindamycinphosphate Tretinoin Gel	Acne vulgaris	Phase III	Class III Chemical Drug

R&D

The Group's integrated R&D expertise covers the areas of discovery and development of biopharmaceuticals products including molecular cloning, gene expression, cell line construction and process development, as well as design and management of pre-clinical and clinical trials, manufacturing process development and analytic process development for quality control and assurance. The Group is experienced in the R&D of both mammalian cell-expressed and bacterial cell-expressed biopharmaceuticals.

The Group focuses its R&D efforts on developing its leading biologic products, including NuPIAO (the second-generation rhEPO product of the Group), SSS07 (the anti-TNF mAb product which the Group acquired from Apexigen Inc.), and Pegsiticase (a modified pegylated recombinant uricase from candida utilis developed to treat refractory gout).

The studies of Phase I trial of NuPIAO were completed by the end of 2015, with the data analysis and research report preparation to be concluded by the end of 2016. For Phase II trial, the Group is planning, in early 2017, to complete the clinical trial design, update the research materials, and select the clinical centers that the Group will collaborate with for the Phase II studies.

The Group has initiated a Phase I clinical trial for SSS07 in the PRC in 2015 with the first part finished as at the date of this announcement and the second part expected to commence in September 2016.

As for Pegsiticase, the Group's business partner, Selecta Biosciences, Inc., has begun a Phase I trial for Pegsiticase in the United States, with the Phase Ia completed.

On 7 March 2016, the Group has received the approval of the IND application for clinical trial from the CFDA for PEG-irinotecan, a long-acting polymer-drug conjugate which inhibits topoisomerase I ("**Topo-I**"). Topo-I is over expressed in many solid tumors, including colorectal, ovarian, breast, glioma, and small cell and non-small cell lung cancers. The Group has licensed PEG-irinotecan from JenKem Technology Co., Ltd, a Chinese biotechnology company in September 2014. The Group intends to develop PEG-irinotecan as a National Class I drug for relapsed or refractory cancers, such as CRC, metastatic breast cancer, and platinum-resistant ovarian cancer.

As announced on 2 June 2016, eltrombopag tablets for the treatment of thrombocytopenia in patients with chronic ITP have received the clinical trial approval from the CFDA. Eltrombopag tablets are being co-developed by the Group and Beijing Labworld Bio-Medicine Technology Company Ltd. (北京藍貝望生物醫藥科技股份有限公司). The Group also intends to co-market the product with the Group's existing rhTPO product, TPIAO, which will further expand the Group's portfolio of treatments targeting auto-immune diseases in China. According to IMS, the market size of products for the treatment of ITP in China amounted to approximately RMB1.48 billion for the year of 2015, with an estimated compound annual growth rate of 20.5% from 2013 to 2018.

As announced on 7 July 2016, TAS102 has received clinical trial approval from the CFDA. TAS102 is co-developed by the Group and Shandong Chengchuang Pharmaceutical R&D Co., Ltd (山東誠創醫藥技術開發有限公司). The Group will be responsible for its further clinical development and commercialization in China. TAS102 is a medicine for CRC. It has a curative effect on patients suffering from CRC who find standard treatments ineffective. Currently, no similar medicine is available in the PRC market.

As announced on 12 August 2016, an anti-EGFR antibody has received an approval of the IND application for clinical trial from the CFDA. The Group intends to develop this anti-EGFR mAb (also generally known as cetuximab (西妥昔單抗)) for advanced or metastatic cancers, including CRC and head and neck cancers (“HNCs”).

Another IND application for a humanized anti-vascular endothelial growth factor (“**anti-VEGF**”) antibody for the treatment of non-small cell lung cancer was filed in early 2016. Two more IND applications, respectively for an anti-VEGF antibody for the treatment of age-related macular degeneration and anti-Her2 ADC for the treatment of Her2-positive metastatic breast cancer, are planned to be filed in late 2016.

In China, the number of new cases for CRC, breast cancer, ovarian cancer, thyroid cancer (one type of HNCs) and lung cancer is 331,000, 273,000, 49,000, 119,000 and 705,000, respectively, in 2012 (*Report of Cancer Incidence and Mortality in China, 2012*, China Cancer, 2016, 25(1): 1–8).

After considering the recent changes of the relevant drug approval policies of the CFDA, the Group, as suggested by the clinical centers that assisted in the phase I clinical trials and the local branch of the CFDA, withdrew the 2 drug applications respectively for Ipterbina (賽普汀) (also generally known as trastuzumab (曲妥珠單抗)), and for Jiantuoxi (健妥昔) (also generally known as rituximab (利妥昔單抗)), that have been submitted to the CFDA. Depending on the then prevailing regulatory framework and its capability to fulfil the relevant regulatory requirements, the Group intends to re-submit the clinical trial data of Ipterbina and Jiantuoxi to the CFDA as and when appropriate.

Sales, Marketing and Distribution

The Group’s sales and marketing efforts are characterized by a strong emphasis on academic promotion. The Group aims to promote and strengthen the Group’s academic recognition and brand awareness of its products among medical experts. The Group markets and promotes TPIAO, Yisaipu and EPIAO mainly through its in-house sales and marketing team. The Group sells these products to distributors who are responsible for delivering products to hospitals and other medical institutions. The Group primarily relies on third-party promoters to market other products.

As at 30 June 2016, the Group’s extensive sales and distribution network in the PRC was supported by approximately 1,761 sales and marketing employees, 207 distributors and 670 third-party promoters. As at 30 June 2016, the Group’s sales team covered 2,116 Grade III hospitals and 4,413 Grade II or lower hospitals and medical institutions, reaching all provinces, autonomous regions and special municipalities in the PRC. In addition, TPIAO, Yisaipu, EPIAO, SEPO and some of the Group’s other products are exported to a number of countries through international promoters.

After the acquisition of Guojian, Guojian's sales team of approximately 500 personnel is integrated into the Group commercialization platform as a new business unit, and the Group's sales function now comprises five business units under the leadership of Mr. Xiao Weihong, the chief operating officer of the Company, supported by integrated compliance, market access, commercial operation, marketing, sales force efficiency and finance, with improved overall efficiency.

Outlook

The Group intends to leverage its position as the leading biopharmaceutical player to continue to build strength in commercial, R&D and manufacturing platforms. The Group plans to boost the revenue of its launched products through further penetration into the hospitals covered by the Group's sales and marketing team and new hospitals, and continuous education within the medical profession. The Group continues to seek selective mergers and acquisition opportunities and commercial collaborations to enrich its existing product portfolio and pipeline so as to provide growth engine for the long term. The Group is expanding international sales through registration of existing products in new countries and registration of new products by going through the biosimilar pathway in the highly regulated markets. With the acquisition of Guojian, the Group is well positioned for new opportunities of growth in the autoimmune and oncology therapeutic areas.

Financial Review

Revenue

For the six months ended 30 June 2016, the Group's revenue amounted to approximately RMB1,304.9 million, as compared to approximately RMB790.3 million for the six months ended 30 June 2015, representing an increase of approximately RMB514.5 million, or 65.1%. The increase is mainly attributable to the sales growth of the Group's key products and the consolidation of the revenues of Zhejiang Wansheng and Guojian into the Group's financial information since 1 August 2015 and 1 April 2016, respectively.

For the six months ended 30 June 2016, the Group's sales of TPIAO increased to approximately RMB405.3 million, as compared to approximately RMB295.0 million for the six months ended 30 June 2015, representing an increase of approximately RMB110.3 million, or 37.4%. The increase is primarily attributable to an increase in sales volume, which in turn was primarily driven by the increase in recognition of TPIAO within the medical profession. For the six months ended 30 June 2016, sales of TPIAO accounted for 30.9% of the Group's total sales of goods.

The Group's sales of Yisaipu was approximately RMB307.3 million for the three months from 1 April 2016 to 30 June 2016. For the six months ended 30 June 2016, the Group's sales of Yisaipu increased to approximately RMB446.3 million, as compared to approximately RMB383.2 million for the six months ended 30 June 2015, representing an increase of approximately RMB63.1 million, or 16.5%. The increase is primarily attributable to an increase in sales volume, which in turn was primarily driven by the increasing demand for anti-TNF α products and Yisaipu's continued dominance in the PRC anti-TNF α market. For the six months ended 30 June 2016, sales of Yisaipu accounted for 23.4% of the Group's total sales of goods.

For the six months ended 30 June 2016, the Group's sales of EPIAO and SEPO increased to approximately RMB388.7 million, as compared to approximately RMB384.4 million for the six months ended 30 June 2015, representing an increase of approximately RMB4.3 million, or 1.1%. The increase is primarily attributable to an increase in sales volume, which in turn was primarily driven by the surging demand for rhEPO products in the lower-tier cities. For the six months ended 30 June 2016, the Group's sales of SEPO increased to approximately RMB41.3 million, as compared to approximately RMB16.4 million for the six months ended 30 June 2015, representing a significant increase of approximately RMB24.9 million, or 151.7%. For the six months ended 30 June 2016, the Group's sales of EPIAO decreased to approximately RMB347.4 million, as compared to approximately RMB368.0 million for the six months ended 30 June 2015, representing a slight decrease of approximately RMB20.6 million, or 5.6%. The decrease is primarily attributable to a decrease in ex-factory price. In addition, while EPIAO was facing pressure in certain provincial tendering processes, SEPO performed strongly and helped maintain the Group's market share. For the six months ended 30 June 2016, sales of EPIAO and SEPO accounted for 29.7% of the Group's total sales of goods.

For the six months ended 30 June 2016, the Group's export sales increased to approximately RMB19.7 million, as compared to approximately RMB15.7 million for the six months ended 30 June 2015, representing an increase of approximately RMB4.1 million, or 25.9%. The increase is primarily attributable to an increase in sales in Thailand and Sri Lanka and that the consolidation of Yisaipu's export sales were consolidated into the Group's financial information since 1 April 2016.

For the six months ended 30 June 2016, the Group's sales derived from Zhejiang Wansheng were RMB92.3 million, the financial results of which were consolidated into the Group's financial information since 1 August 2015.

For the six months ended 30 June 2016, the Group's sales of other products primarily included the contract manufacturing income derived from Sirton as well as the sales of IV Iron Sucrose and Sparin.

Cost of Sales

The Group's cost of sales increased from approximately RMB100.1 million for the six months ended 30 June 2015 to approximately RMB171.7 million for the six months ended 30 June 2016, which accounted for approximately 13.2% of the Group's total revenue for the same period. The primary reasons for the increase in the Group's cost of sales were the increased sales volume for the six months ended 30 June 2016, as compared to the corresponding period in 2015, and the consolidation of the costs of sales of Zhejiang Wansheng and Guojian into the Group's financial information since 1 August 2015 and 1 April 2016, respectively.

Gross Profit

For the six months ended 30 June 2016, the Group's gross profit increased to approximately RMB1,133.2 million, as compared to approximately RMB690.3 million for the six months ended 30 June 2015, representing an increase of approximately RMB442.9 million, or 64.2%. The increase in the Group's gross profit was broadly in line with its revenue growth. The Group's gross profit margin decreased to 86.8% for the six months ended 30 June 2016 from 87.3% for the corresponding period in 2015. The decrease is mainly attributable to the Group's consolidation of the financial information of Zhejiang Wansheng since 1 August 2015, which had a lower gross profit margin than the Group's other businesses and partially offset by the consolidation of the financial information of Guojian since 1 April 2016 which had a higher profit margin than the Group's other businesses.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income, foreign exchange gain and other miscellaneous income. For the six months ended 30 June 2016, the Group's other income and gains increased to approximately RMB52.9 million, as compared to approximately RMB41.2 million for the six months ended 30 June 2015, representing an increase of approximately RMB11.7 million, or 28.3%. The increase is mainly attributable to the consolidation of Guojian's government grants since 1 April 2016, which was partially offset by the decrease in the foreign exchange gain.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff costs, transportation expenses, consulting fees and other miscellaneous selling and distribution expenses. For the six months ended 30 June 2016, the Group's selling and distribution expenses amounted to approximately RMB470.9 million, as compared to approximately RMB276.0 million for the six months ended 30 June 2015, representing an increase of approximately RMB194.9 million, or 70.6%. The increase is mainly attributable to the increased promotional activities for the Group's products and the consolidation of the selling and distribution expenses of Zhejiang Wansheng and Guojian into the Group's financial information since 1 August 2015 and 1 April 2016, respectively. In terms of the percentage of revenue, the Group's selling and distribution expenses increased from 34.9% for the six months ended 30 June 2015 to 36.1% for the six months ended 30 June 2016, primarily due to the consolidation of the selling and distribution costs of Zhejiang Wansheng, which had a selling and distribution expenses to revenue ratio higher than that of the Group's other businesses.

Administrative Expenses

The Group's administrative expenses consisted of staff costs, professional fees, depreciation and amortization, property expenses, share-based compensation, and other miscellaneous administrative expenses. For the six months ended 30 June 2016, the Group's administrative expenses amounted to approximately RMB161.7 million, as compared to approximately RMB99.6 million for the six months ended 30 June 2015, representing an increase of approximately RMB62.1 million, or 62.3%. The increase is mainly due to the one-off expenses of RMB78.3 million for the acquisition of Guojian incurred during the six months ended 30 June 2016, and the consolidation of the administrative expenses of Zhejiang Wansheng and Guojian into the Group's financial information since 1 August 2015 and 1 April 2016, respectively. Excluding the impact of the advisory fee and the Guojian Warrants related expenses, the administrative expenses for the six months ended 30 June 2016 were RMB90.8 million. The administrative expenses as a percentage of revenue (excluding the advisory fee and the expenses related to the issue of the Guojian Warrants) was 7.0% for the six months ended 30 June 2016, as compared to 5.6% for the corresponding period in 2015.

Other Expenses and Losses

The Group's other expenses and losses primarily consisted of its R&D costs. For the six months ended 30 June 2016, the Group's other expenses and losses amounted to approximately RMB117.8 million, as compared to approximately RMB53.8 million for the six months ended 30 June 2015, representing an increase of approximately RMB64.0 million, or 119.0%. The increase is mainly due to increased R&D costs, which increased from approximately RMB49.3 million for the six months ended 30 June 2015 to approximately RMB109.6 million for the six months ended 30 June 2016. The increase is mainly due to the consolidation of Guojian's R&D costs of RMB42.6 million from 1 April 2016 to 30 June 2016.

Finance Costs

For the six months ended 30 June 2016, the Group's finance costs amounted to approximately RMB74.5 million, as compared to approximately RMB21.8 million for the six months ended 30 June 2015, representing an increase of approximately RMB52.7 million, or 241.5%. The increase is mainly due to the increase in the average monthly outstanding bank borrowings during the six months ended 30 June 2016, as compared to the corresponding period in 2015. The increase in bank borrowings primarily reflected additional bank loans taken for the acquisition of Guojian.

Income Tax Expense

For the six months ended 30 June 2016, the Group's income tax expense amounted to approximately RMB62.6 million, as compared to approximately RMB35.8 million for the six months ended 30 June 2015, representing an increase of approximately RMB26.8 million, or 74.9%. The increase is mainly due to the consolidation of the income tax expenses of Guojian since 1 April 2016. The effective tax rates for the six months ended 30 June 2016 and the corresponding period in 2015 were 17.8% and 12.9%, respectively. The increase in effective tax rate is mainly due to the increased offshore losses for the six months ended 30 June 2016, as compared to the six months ended 30 June 2015.

EBITDA and Net Profit

The normalized EBITDA is defined as EBITDA for the period excluding: (a) the expenses incurred in relation to the acquisition of Guojian; (b) warrant expenses associated with the issue of the Guojian Warrants on 1 January 2015; (c) the expenses incurred in relation to the Listing; and (d) the income associated with the fair value gain of the approximately 28.8% equity interest in Guojian previously acquired by the Group in 2014 and 2015. The Group's normalized EBITDA for the six months ended 30 June 2016 increased by RMB181.9 million or 48.8% to RMB554.9 million, as compared to the six months ended 30 June 2015. Without excluding the effects of the aforementioned items, the EBITDA increased by RMB172.6 million or 54.4% to RMB490.1 million, as compared to the six months ended 30 June 2015.

The normalized net profit is defined as profit for the period excluding: (a) the expenses incurred in relation to the acquisition of Guojian; (b) warrant expenses associated with the issue of the Guojian Warrants on 1 January 2015; (c) the expenses incurred in relation to the Listing; and (d) the income associated with the fair value gain of the approximately 28.8% equity interests in Guojian previously acquired by the Group in 2014 and 2015. The Group's normalized net profit for the six months ended 30 June 2016 was approximately RMB354.8 million, as compared to approximately RMB298.1 million for the six months ended 30 June 2015, representing an increase of approximately RMB56.7 million, or 19.0%. Without excluding the effects of the aforementioned items, the net profit for the six months ended 30 June 2016 was approximately RMB290.0 million, as compared to approximately RMB242.5 million for the six months ended 30 June 2015, representing an increase of approximately RMB47.5 million, or 19.6%. The normalized net profit grew slower than the revenue growth primarily due to the increase in finance cost associated with the loans taken for the acquisition of Guojian and that the Guojian's R&D costs from 1 April 2016 to 30 June 2016 were consolidated into the Group's financial information.

Prepaid land lease payments

As at 30 June 2016, the increase in prepaid land lease payments was primarily attributable to the acquisition of Guojian, which resulted in an increase of RMB218.6 million.

Goodwill

As at 30 June 2016, the increase in goodwill was primarily attributable to the acquisition of Guojian, which resulted in an increase of RMB3,327.4 million.

Long term receivables

As at 30 June 2016, long term receivables represented the convertible loan provided to Zhejiang Sunshine Pharmaceutical Company Limited in a principle amount of RMB75.0 million.

Available-for-sale investments

As at 30 June 2016, available-for-sales investments primarily included the investment in wealth management products issued by certain banks and investment in Sorrento.

Liquidity, Financial and Capital Resources

The Group's liquidity remained strong. For the six months ended 30 June 2016, the Group's operating activities generated a net cash inflow of approximately RMB394.8 million. As at 30 June 2016, the Group's cash and cash equivalents and time deposits (including pledged time deposits) were approximately RMB1,323.5 million.

Net Current Assets

As at 30 June 2016, the Group had net current assets of approximately RMB1,337.1 million, as compared to net current assets of approximately RMB1,990.4 million as at 31 December 2015. The current ratio of the Group decreased from approximately 3.6 at 31 December 2015 to approximately 2.0 as at 30 June 2016. The decrease in net current assets is mainly due to the decrease in cash and cash equivalents and the increase in short term interest-bearing bank borrowings as a result of the acquisition of Guojian.

Borrowing and the Pledge of Assets

As at 30 June 2016, the Group had an aggregate interest-bearing bank borrowings of approximately RMB3,544.8 million, as compared to approximately RMB405.0 million as at 31 December 2015. The increase in bank borrowings primarily reflected the additional bank loans of RMB3,997.6 million taken in 2016 for the Group's acquisitions, which is partially offset by the repayment of loans of RMB857.8 million.

Within the short-term deposits, RMB553.0 million was pledged to secure bank loans as at 30 June 2016, as compared to RMB30.3 million as at 31 December 2015.

Gearing Ratio

The gearing ratio of the Group, which is calculated by dividing the total borrowings by the total equity, increased to approximately 57.7% as at 30 June 2016 from approximately 7.2% as at 31 December 2015. The increase was primarily due to an increase in the Group's bank borrowings which were taken for the acquisition of Guojian.

Contingent Liabilities

As at 30 June 2016, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB215.4 million as at 30 June 2016, as compared to approximately RMB27.4 million as at 31 December 2015.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in the PRC, with all material aspects of its regular business conducted in RMB other than in regard to: (1) the operations of Sirton; (2) the Group's exports, which amounted to approximately RMB19.7 million, representing 1.5% of the Group's revenue, for the six months ended 30 June 2016; and (3) the Group's bank borrowings denominated in HKD. Except for the operations of Sirton, the Group's exports and the foreign currency denominated bank deposits and bank borrowings, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 30 June 2016, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD107.1 million (equivalent to approximately RMB710.2 million) denominated in USD; and (2) approximately HKD84.4 million (equivalent to approximately RMB72.2 million) denominated in HKD. The Group's foreign currency denominated bank borrowings comprised approximately HKD2,245 million (equivalent to approximately RMB1,913.1 million) denominated in HKD. The Group expects that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operations of the Group for the foreseeable period.

Significant Investments Held

During the six months ended 30 June 2016, the Group did not have any significant investments.

Future Plans for Material Investments or Capital Assets

The Group estimates that the capital expenditure will be RMB200 million to RMB250 million per year for the next three years. These expected capital expenditures will primarily be incurred for the maintenance of the Group's existing facilities and the Group's plan to expand its production capabilities. The Group expects to finance its capital expenditures through a combination of internally generated funds and bank borrowings.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2016, the Group employed a total of 3,305 employees, as compared to a total of 2,177 employees as at 31 December 2015. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB228.0 million for the six months ended 30 June 2016, as compared to approximately RMB116.8 million for the corresponding period in 2015. The Group generally formulated its employees' remuneration package to include salary, bonus and allowance elements. The compensation programs were designed to remunerate the employees based on their performance, measured against specified objective criteria. The Group also provided the employees with welfare benefits in accordance with applicable regulations and the Group's internal policies. The Company has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2016.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of members of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Except as expressly described below, the Company complied with all applicable code provisions set out in the CG Code during the six months ended 30 June 2016.

Separation of the Roles of the Chairman of the Board and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer. Mr. LOU Jing currently performs these two roles. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and facilitating a more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuer” as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2016.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) which comprises of one non-executive Director and two independent non-executive Directors, namely Mr. PU Tianruo (chairman), Mr. LV Dong and Mr. MA Jun.

The Audit Committee, together with the management, has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016. The Audit Committee has also reviewed the effectiveness of the internal control and risk management systems of the Company and considers the internal control and risk management systems to be effective and adequate.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the interim results announcement of the Group’s results for the six months ended 30 June 2016 has been agreed by the Group’s auditors, Ernst & Young, to the amounts set out in the Group’s draft unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Ernst & Young on the interim results announcement.

PUBLICATION OF THE INTERIM RESULTS AND 2016 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.3sbio.com).

The Company's 2016 interim report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
3SBio Inc.
Mr. LOU Jing
Chairman

Hong Kong, 22 August 2016

As at the date of this announcement, the Board comprises Mr. LOU Jing, Mr. TAN Bo, Ms. SU Dongmei and Mr. HUANG Bin as executive directors, Mr. LIU Dong and Mr. LV Dong as non-executive directors, and Mr. PU Tianruo, Mr. David Ross PARKINSON and Mr. MA Jun as independent non-executive directors.