三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 5241)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately RMB467.2 million or approximately 27.4% to approximately RMB2,174.0 million, as compared to the six months ended 30 June 2017.
- Gross profit increased by approximately RMB289.6 million or approximately 19.9% to approximately RMB1,746.6 million, as compared to the six months ended 30 June 2017, and gross profit margin was approximately 80.3%.
- The normalized EBITDA[1] increased by approximately RMB171.5 million or approximately 25.7% to approximately RMB838.5 million, as compared to the six months ended 30 June 2017. EBITDA increased by approximately RMB139.1 million or approximately 21.3% to approximately RMB791.8 million, as compared to the six months ended 30 June 2017.
- Normalized net profit attributable to owners of the parent[2] increased by approximately RMB153.8 million or approximately 37.8% to approximately RMB560.8 million, as compared to the six months ended 30 June 2017. Net profit attributable to owners of the parent increased by approximately RMB121.4 million or approximately 30.9% to approximately RMB514.2 million, as compared to the six months ended 30 June 2017.

Notes:

1 The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the expenses incurred in relation to the issuance of the Euro-denominated zero-coupon convertible bonds (the "**Bonds**") in an aggregate principal amount of €300,000,000 due 2022; (b) the option expenses associated with the options granted on 2 February 2017.

2 The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding the same items as listed in Note 1 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 2018, together with the comparative figures for the corresponding period in 2017 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	**2018**	2017
		(unaudited)	(unaudited)
		RMB'000	*RMB'000*
CONTINUING OPERATIONS			
Revenue from contracts with customers	*3*	**2,173,964**	1,706,735
REVENUE		**2,173,964**	1,706,735
Cost of sales		**(427,319)**	(249,647)
Gross profit		**1,746,645**	1,457,088
Other income and gains	*4*	**117,500**	35,412
Selling and distribution expenses		**(822,877)**	(654,906)
Administrative expenses		**(134,291)**	(140,118)
Other expenses and losses	*5*	**(224,246)**	(149,060)
Finance costs	*6*	**(73,404)**	(60,098)
Share of losses of associates		**(6,684)**	(5,038)
PROFIT BEFORE TAX		**602,643**	483,280
Income tax expense	*7*	**(92,658)**	(93,729)
PROFIT FOR THE PERIOD		**509,985**	389,551
Attributable to:			
Owners of the parent		**514,197**	392,764
Non-controlling interests		**(4,212)**	(3,213)
		509,985	389,551
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic (RMB)	*9*	**0.20**	0.16
— Diluted (RMB)	*9*	**0.20**	0.15

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**509,985**	389,551
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**21,637**	(45,288)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**21,637**	(45,288)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Net gain/(loss) on equity instruments at fair value through other comprehensive income	**8,507**	(2,668)
Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods	**8,507**	(2,668)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**30,144**	(47,956)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**540,129**	341,595
Attributable to:		
Owners of the parent	**544,341**	344,808
Non-controlling interests	**(4,212)**	(3,213)
	540,129	341,595

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 (unaudited) *RMB'000***	31 December 2017 (audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,786,340**	1,759,669
Prepaid land lease payments		**302,462**	306,557
Goodwill		**3,965,040**	3,923,598
Other intangible assets		**2,366,486**	2,253,516
Investments in associates		**39,803**	33,510
Long-term receivables		**36,008**	35,372
Available-for-sale investments		**—**	48,333
Non-current financial assets		**80,984**	—
Deferred tax assets		**71,793**	76,363
Prepaid expenses and other receivables		**95,370**	39,837
Total non-current assets		**8,744,286**	8,476,755
CURRENT ASSETS			
Inventories		**353,210**	376,529
Trade and notes receivables	*11*	**1,430,895**	1,324,084
Prepaid expenses and other receivables		**469,610**	459,251
Available-for-sale investments		**—**	704,564
Other current financial assets		**477,656**	—
Derivative financial instruments		**4,379**	1,322
Cash and cash equivalents		**2,130,625**	2,398,621
Pledged deposits		**26,587**	11,845
Total current assets		**4,892,962**	5,276,216
CURRENT LIABILITIES			
Trade and bills payables	*12*	**125,374**	274,568
Contract liabilities		**19,087**	—
Other payables and accruals		**771,758**	695,898
Deferred income		**41,697**	26,671
Interest-bearing bank and other borrowings	*13*	**1,222,862**	1,087,466
Tax payable		**67,233**	111,206
Dividends payable	*8*	**140,308**	—
Total current liabilities		**2,388,319**	2,195,809
NET CURRENT ASSETS		**2,504,643**	3,080,407
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,248,929**	11,557,162

	Notes	**30 June 2018 (unaudited) *RMB'000***	31 December 2017 (audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**345,000**	1,046,791
Convertible bonds		**2,234,888**	2,271,874
Deferred income		**277,849**	310,410
Deferred tax liabilities		**272,635**	280,268
Other non-current liabilities		**18,287**	18,173
Total non-current liabilities		**3,148,659**	3,927,516
Net assets		**8,100,270**	7,629,646
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**156**	156
Share premium		**4,372,460**	4,372,460
Other reserves		**3,439,008**	3,024,172
		7,811,624	7,396,788
Non-controlling interests		**288,646**	232,858
Total equity		**8,100,270**	7,629,646

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

3SBio was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Laws on 9 August 2006. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 June 2015.

The Company is an investment holding company. During the six months ended 30 June 2018, the Group was principally engaged in the development, production, marketing and sale of biopharmaceutical products in the People's Republic of China (the "**PRC**") except for Hong Kong and Macau ("**Mainland China**").

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 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**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 for the year ended 31 December 2017.

The unaudited interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand, except when 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 2017, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2018. The Group has not otherwise adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have any significant impact on the unaudited interim condensed consolidated financial statements of the Group.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers.

The Group adopted IFRS 15 from 1 January 2018 using the modified retrospective method of adoption and applied to contracts that are not completed at the date of initial application.

The Group's contracts with customers for the sale of biopharmaceutical products generally include one performance obligation. The Group has concluded that revenue from sale of biopharmaceutical products should be recognised at the point in time when control of the goods is transferred to the customer. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has advances from customers. Prior to the adoption of IFRS 15, the Group represented these advances in "Other payables and accruals" in the consolidated statement of financial position. Upon the adoption of IFRS 15, the Group reclassified the advances from customers to 'Contract liabilities'. As at 1 January 2018, the Group had advances from customers amounting to RMB76,854,000 that were reclassified to contract liabilities at the initial application of IFRS 15.

Refer to Note 3 for the disclosure on disaggregated revenue.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 retrospectively with the initial application date of 1 January 2018. Certain disclosures for the comparative period were prepared under IAS 39 and therefore may not be comparable as comparative information.

The effect of adopting IFRS 9 is as follows:

(a) Classification and measurement

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("**FVPL**"), amortised cost, or fair value through other comprehensive income ("**FVOCI**"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's debt financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and notes receivables, cash and cash equivalents, pledged deposits, certain items of prepaid expenses and other receivables and long-term receivables.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its quoted and unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's quoted and unquoted equity instruments were classified as available-for-sale ("**AFS**") financial assets.

- Financial assets at FVPL comprise derivative instruments and bank financial products which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. Under IAS 39, the Group's bank financial products were classified as AFS financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments were solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

IFRS 9 requires the Group to record an allowance for ECLs for trade receivables and all other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after that reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 60 or 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

As the impact of adaption of IFRS 9 is immaterial, the adjustment was therefore not restated in the unaudited interim condensed consolidated statement of financial position as at 31 December 2017 or recognised against retained profits on 1 January 2018.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation does not have any material impact on the unaudited interim condensed consolidated financial statements.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments do not have any material impact on the unaudited interim condensed consolidated financial statements.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Segments		
Type of goods		
Sale of biopharmaceuticals	**2,173,964**	1,706,735
Total revenue from contracts with customers	**2,173,964**	1,706,735
Geographical markets		
Mainland China	**2,099,289**	1,632,545
Others	**74,675**	74,190
Total revenue from contracts with customers	**2,173,964**	1,706,735
Timing of revenue recognition		
Goods transferred at a point in time	**2,173,964**	1,706,735
Total revenue from contracts with customers	**2,173,964**	1,706,735

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Other income		
Interest income	**30,208**	10,012
Government grants related to		
— Assets	**17,897**	10,074
— Income	**8,150**	12,581
Others	**5,289**	2,745
	61,544	35,412
Gains		
Foreign exchange differences	**53,029**	—
Fair value gain on derivative financial instruments	**2,927**	—
	55,956	—
	117,500	35,412

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**427,319**	249,647
Depreciation of items of property, plant and equipment	**76,295**	61,612
Amortisation of other intangible assets	**65,059**	52,716
Amortisation of prepaid land lease payments	**4,095**	3,923
Amortisation of long-term deferred expenditures	**556**	1,102
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**434,170**	310,877
Equity-settled compensation expenses	**10,803**	9,808
Pension scheme contributions	**31,338**	22,492
Social welfare and other costs	**29,174**	19,929
	505,485	363,106
Other expenses and losses:		
Research and development costs	**178,005**	113,055
Provision for impairment of trade receivables	**19,776**	6,816
Donation	**13,785**	15,150
Provision for impairment of other receivables	**3,493**	—
Loss on disposal of items of property, plant and equipment	**3,443**	110
Provision for impairment of long-term receivables	**364**	—
Foreign exchange differences	**—**	5,214
Fair value loss on derivative financial instruments	**—**	2,276
Others	**5,380**	6,439
	224,246	149,060

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Interests on bank borrowings	**37,598**	60,098
Interests on convertible bonds	**35,806**	—
	73,404	60,098

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits 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 2018 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. ("**Sunshine Guojian**"), National Engineering Research Center of Antibody Medicine ("**NERC**"), Shenzhen Sciprogen Bio-pharmaceutical Technology Co., Ltd. ("**Sciprogen**") and Zhejiang Wansheng Pharmaceutical Co., Ltd. ("**Zhejiang Wansheng**"), all of which enjoy certain preferential treatment, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% on their respective taxable income. In accordance with relevant Italian tax regulations, Sirton Pharmaceuticals S.p.A. ("**Sirton**") is subject to income tax at a rate of 27.9%.

Shenyang Sunshine, Sunshine Guojian, NERC, Sciprogen and Zhejiang Wansheng, which are qualified as High and New Technology Enterprises, were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2018.

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 became effective from 1 January 2008 and is applicable to earnings after 31 December 2007. However, 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.

An analysis of the provision for tax in the financial statements is as follows:

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Current	**95,253**	101,076
Deferred	**(2,595)**	(7,347)
Total tax charge for the period	**92,658**	93,729

8. DIVIDENDS

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Dividend on ordinary shares declared and accrued:		
Final dividend for 2017: HKD6.85 cents per share (2016: Nil)	**140,308**	—

The proposed dividend on ordinary shares has been approved at the annual general meeting held on 20 June 2018.

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 2018 attributable to equity holders of the parent of RMB514,197,000 (for the six months ended 30 June 2017: RMB392,764,000) and the weighted average of 2,538,796,890 (for the six months ended 30 June 2017: 2,532,313,570) 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 equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion 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	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to equity holders of the parent	**514,197**	392,764
Interest on convertible bonds	**35,806**	—
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**550,003**	392,764

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period	**2,538,796,890**	2,532,313,570
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**32,957,550**	39,440,692
Share options	**6,666,667**	—
Convertible bonds	**188,363,445**	—
	2,766,784,552	2,571,754,262

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2018	31 December 2017
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Carrying amount at 1 January	**1,759,669**	1,762,813
Additions	**107,873**	150,013
Depreciation provided during the period/year	**(76,295)**	(128,453)
Disposals	**(4,005)**	(27,248)
Exchange realignment	**(902)**	2,544
Carrying amount at 30 June/31 December	**1,786,340**	1,759,669

A freehold land with a carrying amount of approximately RMB3,896,000 as at 30 June 2018 (31 December 2017: RMB3,973,000) is situated in Italy.

The Group was in the process of applying for the title certificates of certain of its buildings with an aggregate book value of approximately RMB65,311,000 as at 30 June 2018 (31 December 2017: RMB8,199,000). 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 2018.

11. TRADE AND NOTES RECEIVABLES

	30 June 2018 (unaudited) *RMB'000*	31 December 2017 (audited) *RMB'000*
Trade receivables	**1,397,401**	1,212,782
Notes receivable	**80,277**	138,309
	1,477,678	1,351,091
Provision for impairment of trade receivables	**(46,783)**	(27,007)
	1,430,895	1,324,084

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

	30 June 2018 (unaudited) *RMB'000*	31 December 2017 (audited) *RMB'000*
Within 1 year	**1,350,618**	1,185,775
1 to 2 years	**33,906**	18,525
Over 2 years	**12,877**	8,482
	1,397,401	1,212,782

12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period is as follows:

	30 June 2018 (unaudited) *RMB'000*	31 December 2017 (audited) *RMB'000*
Within 3 months	**97,804**	88,458
3 to 6 months	**17,921**	179,505
Over 6 months	**9,649**	6,605
	125,374	274,568

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 (unaudited) *RMB'000*	31 December 2017 (audited) *RMB'000*
Current		
Bank loans — unsecured	**100,000**	100,000
Bank loans — secured	**126,466**	200,000
Current portion of long term bank loans — secured	**996,396**	787,466
	1,222,862	1,087,466
Non-current		
Other secured bank loans	**345,000**	1,046,791
Convertible bonds	**2,234,888**	2,271,874
Total	**3,802,750**	4,406,131

	30 June 2018 (unaudited) *RMB'000*	31 December 2017 (audited) *RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**1,222,862**	1,087,466
In the second year	**—**	496,791
In the third to fifth years, inclusive	**345,000**	550,000
	1,567,862	2,134,257

Notes:

(a) The bank borrowings bear interest at fixed interest rates ranging from 2.5% to 4.65% per annum.

(b) The bank borrowings are secured by equity interests in certain subsidiaries of the Group.

(c) The carrying amounts of the bank borrowings approximate to their fair values.

14. SHARE CAPITAL

Shares	30 June 2018 (unaudited) *RMB'000*	31 December 2017 (audited) *RMB'000*
Issued and fully paid:		
2,538,796,890 (31 December 2017: 2,538,796,890) ordinary shares	**156**	156

A summary of movements in the Company's issued share capital for the six months ended 30 June 2018 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 United States Dollar ("**USD**") 0.00001 each at 30 June 2018 and 31 December 2017	2,538,796,890	156	4,372,460	4,372,616

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

3SBio is a leading biotechnology company in the People's Republic of China (the "**PRC**" or "**China**"[1]). As a pioneer in the Chinese biotechnology industry, the Group has extensive expertise in researching and developing, manufacturing and marketing biopharmaceuticals. The core products of the Group include TPIAO (特比澳), Yisaipu (益賽普), and recombinant human erythropoietin ("**rhEPO**") products EPIAO (益比奧) and SEPO (賽博爾), all four being market leaders in China. TPIAO is the only commercialized recombinant human thrombopoietin ("**rhTPO**") product in the world. According to IMS Health Inc. ("**IMS**")[2], the China market share of TPIAO increased to 63.2% for the treatment of thrombocytopenia in the first half of 2018. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a continuing dominant market share in China of 63.5% in the first half of 2018. With its two rhEPO products, the Group has been the dominant market leader in the China rhEPO market for more than a decade, with a total market share of 41.3% in the first half of 2018. The Group has made a strong entrance and is growing in the diabetes treatment area through in-license of several products from AstraZeneca PLC ("**AstraZeneca**") and Eli Lilly and Company ("**Lilly**"): Byetta (百泌達), which the Group started to consolidate in its accounts from October 2016; Humulin (優泌林), from July 2017; and Bydureon (百達揚), launched on 25 May 2018 as the first-to-market once-weekly therapy for type 2 diabetes in China, from the launch date.

Key Events

As announced on 4 January 2018, one of the Group's in-licensed products, China's first GLP-1 receptor agonist weekly preparation Bydureon (generic name: Exenatide Microsphere for injection) had been approved by the State Drug Administration of China[3] ("**SDA**") as a new treatment option to improve glycemic control for patients with type 2 diabetes. As the first and currently the only GLP-1 medicine in China administered once-weekly, Exenatide Microsphere can reduce the frequency of dosing, reduce gastrointestinal adverse effects, increase drug stability and improve patient compliance by continuing to provide steady-state levels of Exenatide with sustained release microsphere technology. This product was licensed to the Group by AstraZeneca in October 2016, and launched in China on 25 May 2018.

As announced on 15 January 2018, 3SBio's wholly-owned subsidiary, Hongkong Sansheng Medical Limited (香港三生醫藥有限公司 , "**Hongkong Sansheng**") and Toray Industries, Inc. ("**Toray**") entered into an exclusive licensing agreement (the "**Toray Agreement**") on certain oral disintegration tablet formulation of antipruritic drug TRK-820 (as under Toray development code, with generic name nalfurafine hydrochloride, also known as "REMITCH" as approved in Japan) that is developed and manufactured by Toray. Pursuant to the Toray Agreement, Toray agreed to grant Hongkong Sansheng the exclusive right to develop and commercialize this product in the PRC except for Hong Kong, Macau and Taiwan. Hongkong Sansheng agreed to pay initial payment and milestone payments to Toray.

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1 Except where the context requires otherwise excluding Hong Kong, Macau and Taiwan.

2 All market share information throughout this Announcement cites the IMS data, unless otherwise noted.

3 Formerly the China Food and Drug administration, restructured and renamed in April 2018.

As announced on 22 February 2018, the Group had received an approval from the SDA to conduct clinical trials of TPIAO for the pediatric immune thrombocytopenia (immune thrombocytopenia, "**ITP**") indication.

On 30 April 2018, the Company announced a research collaboration with Menlo Park, California-based Refuge Biotechnologies, Inc. ("**Refuge**"), a company leveraging gene engineering technologies to develop intelligent cell therapeutics programmed to make decisions inside of patients. The two companies will jointly design and carry out research programs focusing on developing Programmed Therapeutic Cells that can produce therapeutic biologics agents in a disease micro environment inside patient's body, using Refuge's platform technology. 3SBio will have exclusive license to develop and commercialize the Programmed Therapeutic Cells in Greater China under the research collaboration agreement. Concurrently, 3SBio and co-lead investors Sequoia Capital China, as well as existing Series A investors, had completed a USD25 million Series B investment round into Refuge.

In May 2018, the Group received an approval from SDA for Phase II and Phase III trials of NuPIAO (SSS06) in anemic patients.

In June 2018, the Group received three additional clinical trial approvals from the SDA for an anti-VEGF antibody (601A) for the treatment of several ophthalmic diseases, including macular edema following retinal vein occlusion (RVO), myopic choroidal neovascularization (mCNV), and diabetic retinopathy with macular edema (DME).

In July 2018, the Group entered into an agreement with a Beijing-based pharmaceutical company to acquire a calcium acetate tablet product. Calcium acetate tablet treats hyperphosphatemia in patients with chronic kidney disease, and is included in the National Reimbursement Drug List ("**NRDL**") as a Class B Drug (No. 149). A market survey conducted by the Company shows that this product is one of the primary treatments in hyperphosphatemia. The Company expects to market this product by the end of 2018.

In August 2018, China Pharmaceutical Industry Information Center ("**CPIIC**") issued the "2017 China Pharma 100" List (the "**List**"), which ranked the Group as the 67th of the top 100 pharmaceutical companies in China, as compared to 84th in 2016, and the Group is the pharmaceutical company with fastest rise in the List. CPIIC is an official pharmaceutical information platform of the PRC Ministry of Industry and Information Technology. The List is officially recognized by 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.

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 SDA for two indications: the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and 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 is included in the 2017 NRDL as a Class B Drug (No. 214) for the treatment of severe CIT in patients with solid tumors or ITP. In "The Consensus of China Experts on Diagnosis and Treatment of Adult Primary Immune Thrombocytopenia" (2016 Version), rhTPO products are included as the first choice recommendation for the second line treatments list, and are recommended among the medicines to boost platelet production in certain emergencies cases. In "The Chinese Guidelines for Treatment of Adult Primary Immune Thrombocytopenia", published in International Journal of Hematology in April 2018, rhTPO is included as the first choice recommendation for the second line treatments list. In "The Guidelines of Chinese Society of Clinical Oncology (CSCO) — Conventional Osteosarcoma", issued in April 2018, TPIAO is recommended as one of the primary treatments in the CIT context. TPIAO has experienced significant sales growth due to increasing physician awareness of its safety and efficacy as a treatment for CIT and ITP and its quick adoption in China. The inclusion in the 2017 NRDL also led to accelerated growth for TPIAO since the fourth quarter of 2017, as the 2017 NRDL was implemented from September 2017 onwards. The Group believes that 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 17% to 19%. 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. The China market share of TPIAO for the treatment of thrombocytopenia by volume is 18.2% in the first half of 2018. On 24 May 2017, the Group received an approval from the SDA to conduct clinical trials for TPIAO for the treatment of surgery patients with hepatic dysfunction at the risk of thrombocytopenia. In addition, TPIAO has received an approval from the SDA to conduct clinical trials for pediatric ITP indication in February 2018. Outside China, TPIAO has been approved in seven countries.

Yisaipu, generically known as Etanercept, is a TNF α inhibitor product. It was first launched in 2005 in China for rheumatoid arthritis ("**RA**"). Its indications were expanded to ankylosing spondylitis ("**AS**") and psoriasis in 2007. The Group actively participated in the works related to "The Rheumatoid Arthritis Treatment Guidance" (the "**Guidance**"), an authoritative document issued by the China Medical Association. Yisaipu is adopted in the Guidance under 'TNF-α inhibitors' as one of the RA treatment options, and the Guidance deems TNF-α inhibitors as a group of biological agents with relatively sufficient evidence and relatively wide adoption in treating RA. Yisaipu is included in the 2017 NRDL as a Class B Drug (No. 846) for the treatment of patients with confirmed diagnosis of RA, and for the treatment of patients with confirmed diagnosis of AS (not including pre-radiographic axial spondyloarthritis), each subject to certain medical prerequisites. Yisaipu has experienced significant growth as the first-to-market Etanercept product in China, with a dominant market share in China of 63.5% by sales in the first half of 2018. The sales coverage of Yisaipu extends to more than 2,600 hospitals in China, including over 1,000 Grade III hospitals. The inclusion in the 2017 NRDL also led to accelerated growth of Yisaipu since the fourth quarter of 2017, as the 2017 NRDL was implemented from September 2017 onwards. The Group believes that Yisaipu is still at an early stage of its product life cycle. The Group estimates that the penetration rates for RA and AS in China are each less than 5%. Currently, the majority of the Group's sales of Yisaipu is generated from approximately 9% of the hospitals covered by the Group's sales team. The prefilled syringe of Yisaipu in the Group's pipeline would be the only TNF α inhibitor product in prefilled format among Chinese peers, of which the Group has completed

the Phase III trial and is expecting to apply for manufacturing approval in the second half of 2018. The Group is of the view that the prefilled syringe of Yisaipu will improve patients convenience and contribute to further growth of Yisaipu. Outside of China, Yisaipu has been approved in 13 countries. In March 2018, the Group received the marketing authorization for Yisaipu from Thailand. Thailand is a member of the Pharmaceutical Inspection Co-operation Scheme (the "**PIC/S**"). PIC/S is a non-binding and informal co-operative arrangement between regulatory authorities in the field of Good Manufacturing Practices of medicinal products for human or veterinary use. PIC/S presently comprises 52 participating authorities from Europe, Africa, America, Asia and Australia. 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. In July 2018, the Group received the marketing authorization for Yisaipu from the Philippines which has a population over 100 million, with the potential to increase the Group's export sales. In November 2017, the Group's manufacturing facility for Yisaipu received a Qualified Person's Declaration Equivalence to European Union Good Manufacturing Practice for Investigation Medicinal Products manufactured in Third Countries. This declaration attests to the high quality of Yisaipu as assessed under the EU standards and the good adherence of the Yisaipu manufacturing facility to the EU standards.

EPIAO is still the only rhEPO product approved by the SDA 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 is included in the NRDL as a category B drug in China since 2000. EPIAO has consistently been the dominant market leader in China rhEPO market since 2002 in terms of both volume and value. 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 China rhEPO market share at 10,000 IU dosage. Future growth for EPIAO may be driven by: (1) the increase 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 in CIA oncology indication in China, which the Group believes is at a very early stage of growth. With contribution from the second brand of the Group's rhEPO products, SEPO, market coverage of the Group's rhEPO products has expanded in Grade II and Grade I hospitals, where sales of its rhEPO products have been experiencing significant growth. The Group expects that SEPO will continue to gain market share in the China rhEPO market. Outside of China, EPIAO has been approved in 22 countries. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand have made good progress, with patients recruitment for the maintenance period to be completed by the end of 2018. The trials are expected to be completed by 2019. The Group intends to include Ukraine in the multi-center clinical trials in 2018 to expedite patient enrollment.

Humulin was the first bio-synthetic human insulin product and was also the first medical product for human therapeutic use produced by recombinant DNA technology in the world. Humulin is licensed from Lilly, and the Group started to consolidate the revenue of Humulin from July 2017. Diabetes is a major chronic disease in China, and China has the largest diabetes patient population in the world. The Group is of the view that Human insulin being included in the 2017 NRDL as a Class A Drug and the establishment and implementation of the tiered medical service system will lead to further growth of human insulin in lower tier market in China.

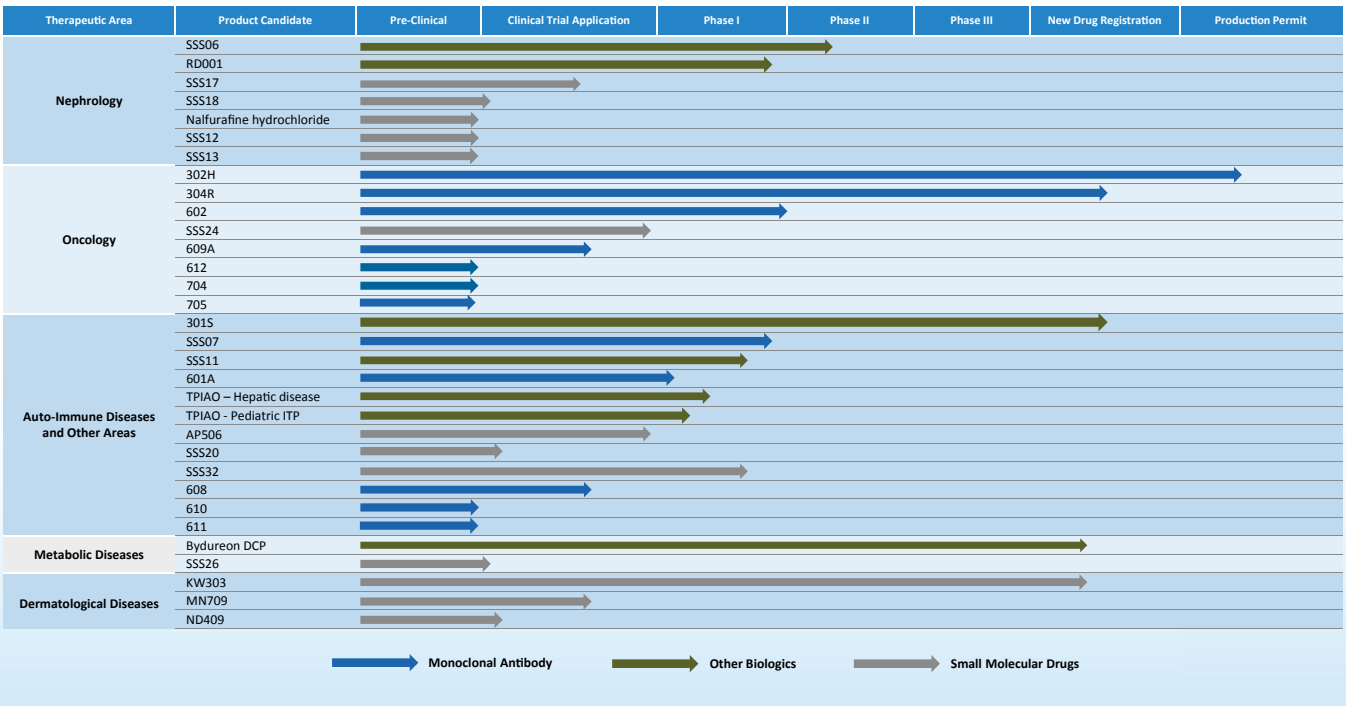
Byetta, generically known as "Exenatide injection", is an injectable GLP-1 receptor agonist, administered twice daily as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus, which is indicated for treatment of patients who have not achieved adequate glycaemic control on metformin, sulphonylureas, or metformin plus sulphonylureas. Byetta is licensed from AstraZeneca, and the Group started to record the revenue of Byetta from October 2016. Bydureon, the weekly administered GLP-1 product licensed from AstraZeneca, was launched on 25 May 2018, and the Group started to record its revenue since the launch date. In "the Clinical Application of GLP-1 receptor agonists — Experts Guidance" (the "**Experts Guidance**") published in Chinese Journal of Diabetes (May 2018, Vol. 26, No. 5), the experts are of the opinion that GLP-1 receptor agonists are an important class of novel hypoglycemic drug in the treatment of type 2 diabetes mellitus, with increasingly wider clinical application; that they have reliable and safe hypoglycemic efficacy, and have additional benefits outside blood glucose reduction including body weight reduction, systolic pressure reduction and blood lipid profile improvement. The Experts Guidance recommends that GLP-1 receptor agonists can be used in mono-therapy, or in combination therapy when other multiple oral hypoglycemic drug and basal insulin fail to achieve desired glycemic control.

Qiming Keli, Man Di (蔓迪), Di Su (迪蘇) and Lai Duo Fei (萊多菲) are a group of dermatology and ophthalmology drugs, indicated to treat diabetic retinopathy, alopecia areata, chronic bronchitis and chronic idiopathic urticaria, respectively. Qiming Keli is included in the 2017 NRDL as a Class B Traditional Chinese Medicine (No. 1004) for the treatment of non-proliferative retinopathy caused by type 2 diabetes.

Product Pipeline

As at 30 June 2018, amongst the 32 product candidates within the Group's active pipeline, 17 were being developed as National Class I New Drugs (國家一類新藥) in China. The Group has eight product candidates in oncology; 12 product candidates that target auto-immune diseases including RA, and other diseases such as refractory gout and age-related macular degeneration ("**AMD**"); seven product candidates in nephrology; two product candidates in the metabolic area that target type-2 diabetes; and three product candidates in dermatology.

Robust and Innovative Product Pipeline Supported by Integrated R&D Platform



Research and Development ("R&D")

The Group's integrated R&D platform covers a broad range of technical expertise in the discovery and development of innovative bio-pharmaceutical products, including molecular cloning, antibody/ protein engineering, gene expression, cell line construction, manufacturing process development, large scale manufacturing, quality control and assurance, design and management of pre-clinical and clinical trials, and regulatory filing and registration. The Group is experienced in R&D of mammalian cell-expressed, bacterial cell-expressed and chemically-synthesized pharmaceuticals.

The Group focuses its R&D efforts on researching and developing innovative biologics products. Currently, the Group has several leading biologics products in various stages of clinical development, including SSS06 (NuPIAO, the second-generation rhEPO to treat anemia), RD001 (pegylated long-acting erythropoietin to treat anemia), SSS07 (the anti-TNFα antibody to treat RA), SSS11 (Pegsiticase, a modified pegylated recombinant uricase from candida utilis to treat refractory gout), 602 (an anti-epidermal growth factor receptor antibody to treat cancer), 601A (an anti-vascular endothelial growth factor ("**VEGF**") antibody to treat AMD), and 301S (prefilled syringe dosage form of Yisaipu). On the research front, the Group is developing a panel of novel biologics products, including monoclonal antibody ("**mAb**") products, bispecific antibodies and fusion proteins, and a number of small molecule generic drugs, in the areas of oncology, auto-immune and inflammatory diseases, nephrology, metabolic and dermatological diseases.

The Group has completed the Phase III trial of the prefilled syringe dosage form of Yisaipu (301S) and is preparing to apply for manufacturing approval from the SDA in the second half of 2018.

The Group has completed the Phase III trials of Clindamycin Phosphate and Tretinoin Gel for topical treatment of acne vulgaris in patients of 12 years and older, and expects to file for manufacturing approval in the second half of 2018.

The Group has completed multiple Phase I trials of NuPIAO (SSS06) in anemic patients, and obtained an approval from SDA in May 2018 for Phase II and Phase III clinical trials. Patient enrollment is expected to begin soon.

The Group has completed the Phase Ia clinical trial of a humanized anti-TNFα antibody (SSS07) in healthy volunteers, and has initiated the Phase Ib trial in patients with RA since the second half of 2017.

The Group has completed patient enrollment for a Phase I trial of an anti-epidermal growth factor receptor antibody (602), and is currently planning the pivotal Phase III trials of this product candidate in patients with colorectal cancer.

As announced on 5 January 2017, the Group has received an investigation new drug ("**IND**") approval for clinical trials for Pegsiticase (SSS11) from the SDA in refractory gout patients with high uric acid level. Clinical trial for Pegsiticase has been initiated in the second half of 2017. The Group's business partner, Selecta Biosciences, Inc. (NASDAQ: SELB) ("**Selecta**") is conducting Phase II trials for SEL-212 (consisting of Pegsiticase, co-administered with SVP-Rapamycin to prevent the formation of anti-drug antibodies) in the United States. Their study has shown positive results in reducing uric acid levels while having significantly fewer patients experiencing gout flares during treatment. Selecta expects to initiate its Phase III trial in 2018.

On 24 May 2017, the Group received an IND approval for clinical trials from the SDA for TPIAO in surgery patients with hepatic dysfunction at the risk of thrombocytopenia. Patient enrollment has begun since the second quarter of 2018. In addition, the Group was granted a new IND approval from the SDA for clinical trials of TPIAO in pediatric ITP indication in February 2018.

As announced on 11 October 2017, an anti-VEGF antibody (601A) had been granted an approval by the SDA for clinical trials in patients with neovascular AMD. Patient enrollment is expected to be initiated in the second half of 2018. In January 2018, the Group received clinical trial approvals from the SDA for this product candidate in patients with non-small cell lung cancer and cervical carcinoma. Further, the Group received three additional clinical trial approvals from the SDA in June 2018 for this product candidate for the treatment of several other ophthalmic diseases, including macular edema following retinal vein occlusion (RVO), myopic choroidal neovascularization (mCNV), and diabetic retinopathy with macular edema (DME).

As announced on 4 January 2018, one of the Group's in-licensed products, a GLP-1 receptor agonist weekly preparation, Bydureon (generic name: Exenatide Microsphere for injection), was approved by the SDA as a new treatment option to improve glycemic control for patients with type-2 diabetes. The Group has launched this product, the first long-acting weekly-dosing GLP-1 receptor agonist on China market in May 2018.

Fluticasone Propionate Cream, a product with broad applications in the treatment of a variety of dermatological disorders, was granted a marketing approval from the SDA on 26 July 2017. The Group launched the product in March 2018.

On 1 February 2018, the Group received a supplemental marketing approval from the SDA of Tacrolimus Ointment (0.03%) for pediatric indications in children aged 2–15 years old with moderate to severe atopic dermatitis.

During the period from 2009 to 2013, the Group conducted an open label, multi-center, perspective Phase III trial in China with a humanized anti-HER2 antibody, the Group's product candidate 302H (賽普汀), in patients with HER2 over-expressing metastatic breast cancer. A total of 26 hospitals and clinical centers participated in the study. A group of 341 eligible patients were randomized into two groups, one receiving the product candidate 302H plus vinorelbine (長春瑞濱), while the other group receiving vinorelbine until either intolerance due to toxicity or disease progression, followed by switching to the product candidate 302H as a single agent therapy. The final results showed that there was a significant prolongation in progression-free survival ("**PFS**") and greater reduction in the risk of disease progression in patients who received the product candidate 302H plus vinorelbine in combination, as compared to those receiving chemotherapy alone or chemotherapy followed by the product candidate 302H. The medium PFS for the combination group was 39 weeks (95% CI, 32.0–48.0), whereas the medium PFS for the chemotherapy-alone group was 14.1 weeks (95% CI, 8.0–21.0) (HR, 0.24, $p<0.0001$). The overall objective response rate (ORR, CR+PR) was also significantly higher in the combination group than the chemotherapy-alone group (46.7% vs 18.45%, $p<0.0001$). The disease control rate (CR+PR+SD) was 80.66% in the combination group and 45.63% in the chemotherapy-alone group ($p<0.0001$). There was no significant difference in the occurrence of systemic toxicities and serious adverse events between the two treatment groups. The Group has completed a thorough inspection and audit of all the clinical sites and the associated clinical data, with the assistance of a retained third-party clinical study audit firm. The

Group has finalized the clinical study report, and re-submitted a new drug application to the SDA recently, with the aim to register the product in China as a safe and efficacious therapeutic biologics medicine for the treatment of HER2 over-expression metastatic breast cancer.

The Group's R&D team of experienced researchers and scientists under the leadership of Dr. ZHU Zhenping, the chief scientific officer of the Company, is working diligently to research and discover new medicines, to accelerate the progress of clinical development, and to bring breakthrough therapies to fulfill the unmet medical needs of patients.

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 the brand awareness of its products among medical experts. The Group markets and promotes its key products 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 relies on third-party promoters to market certain products.

As at 30 June 2018, the Group's extensive sales and distribution network in China was supported by approximately 2,727 sales and marketing employees, 345 distributors and 1,561 third-party promoters. As at 30 June 2018, the Group's sales team covered over 2,000 Grade III hospitals and over 11,000 Grade II or lower hospitals and medical institutions, reaching all provinces, autonomous regions and special municipalities in China. In addition, TPIAO, Yisaipu, EPIAO, SEPO and some of the Group's other products are exported to a number of countries through international promoters.

With the in-license of the AstraZeneca diabetes products (including Byetta and Bydureon), Byetta's sales team was integrated into the Group's commercialization platform. With the in-license of Humulin from Lilly, the Group further expanded diabetes sales team to promote Humulin in China in 2017.

Outlook

With the deepening of the healthcare reform in China, the Group is of the view that the pharmaceutical landscape will reshape in the coming years. The healthcare reforms carry a variety of implications to the industry and will favor companies with focus on innovation, manufacturing quality, and market access. More government support is expected for innovative drugs and drugs with urgent clinical needs, indicating accelerated approval timeline and greater chance to be included on the NRDL. The R&D bar is raised with the aim to improve drug quality. The acceptance of overseas clinical trial data will bring in more innovative drugs to address the unmet medical needs in China. The improved living standards and an aging population demand high quality healthcare products.

The mission of the Group has been to provide innovative and affordable medicines with global quality standard to the public. The Group aims to become a China-based, leading global biopharmaceutical company by leveraging its integrated R&D, commercial and manufacturing platforms.

The Group plans to grow sales of its marketed products by further penetration into the hospitals currently covered by the Group's sales and marketing team and new hospitals to be reached and brought under coverage, through continuous education of the medical profession. The current market penetration rates of the Group's three core products are still relatively low, promising significant growth potentials. With the three products (including two core products) added in the 2017 NRDL, the Group is strengthening these products' penetration in the hospitals under its coverage and executes further expansion of these products in lower-tier cities and hospitals to address unmet medical needs.

The Group focuses on developing leading biologics products, including NuPIAO, RD001, SSS07, Pegsiticase, product candidate 602, product candidate 601A, prefilled syringe of Yisaipu and other mAb products. The Group is developing a panel of novel biologic products, including mAbs, bispecific antibodies and fusion proteins and a number of small molecule generic drugs. The Group's core therapeutic areas include oncology, immunology, nephrology, metabolic diseases and dermatology. The Group expects to receive one new Class 1 drug and/or new indication approval and two to three IND approvals on an annual basis. The Group will continue to build up its in-house clinical development capacity and capability through human capital and financial resource invested on a high priority basis.

The Group continues to build up a comprehensive quality system and voluntarily adheres to global standards. The Group has proven track record in terms of the efficacy and safety profile of Group's products, and the Group's manufacturing facilities have passed numerous inspections conducted by the SDA and local authorities in the past years. With the Group's approximately 38,000-liter capacity mAb facility, as well as mammalian cell-based, bacteria cell-based and small molecule manufacturing facilities and over 25 years of experience in the biologics medicine manufacturing field, the Group is able to manufacture high quality pharmaceutical products with scalable manufacturing capacity at competitive cost. The mAb manufacturing capability of the Group well positions it for its strategic objective of creating a profitable CDMO business, leveraging on its existing CDMO assets. The Group is actively and selectively seeking opportunities to bring in clinical trial stage biologic products in order to provide commercial manufacturing service.

The Group continues to seek selective merger and acquisition and collaboration opportunities to enrich its existing product portfolio and pipeline to sustain long term growth. The strategic collaborations with AstraZeneca, Lilly and Toray are affirmations of the Group being the partner of choice to leading pharmaceutical companies around the world, and serve as an important foundation for future strategic collaborations. The Group is growing its international sales through registration of existing products in new countries and registration of new products in highly regulated markets.

Financial Review

Revenue

For the six months ended 30 June 2018, the Group's revenue amounted to approximately RMB2,174.0 million, as compared to approximately RMB1,706.7 million for the six months ended 30 June 2017, representing an increase of approximately RMB467.2 million, or approximately 27.4%. The increase is mainly attributable to the sales growth of the Group's key products and the consolidation of the revenue of Humulin into the Group's consolidated financial statements since 1 July 2017.

For the six months ended 30 June 2018, the Group's sales of TPIAO increased to approximately RMB840.7 million, as compared to approximately RMB492.6 million for the six months ended 30 June 2017, representing an increase of approximately RMB348.0 million, or approximately 70.7%. Under the IMS methodology, the hospital consumption of TPIAO grew approximately 101.0% for the six months ended 30 June 2018, as compared to the corresponding period in 2017. 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 and the accelerated growth due to the implementation of the NRDL beginning from September 2017. For the six months ended 30 June 2018, sales of TPIAO accounted for approximately 38.5% of the Group's total sales of goods.

For the six months ended 30 June 2018, the Group's sales of Yisaipu increased to approximately RMB442.4 million, as compared to approximately RMB439.8 million for the six months ended 30 June 2017, representing a slight increase of approximately RMB2.6 million, or approximately 0.6%. Under the IMS methodology, the hospital consumption of Yisaipu grew approximately 36.9% for the six months ended 30 June 2018, as compared to the corresponding period in 2017. The increase was primarily attributable to an increase in sales volume, which in turn was driven by the accelerated growth due to the implementation of the NRDL beginning from September 2017. The slower growth of the Group's reported sales of Yisaipu than the hospital consumption is primarily due to the Group's improvement of its commercial policy. The new policy requires a lower level of channel stock, and as a result, the Group is able to negotiate more favorable commercial terms with the distributors. For the six months ended 30 June 2018, the sales of Yisaipu accounted for approximately 20.3% of the Group's total sales of goods.

For the six months ended 30 June 2018, the Group's sales of EPIAO and SEPO increased to approximately RMB426.8 million, as compared to approximately RMB409.0 million for the six months ended 30 June 2017, representing an increase of approximately RMB17.7 million, or approximately 4.3%. The increase was primarily attributable to an increase in sales volume. For the six months ended 30 June 2018, the Group's sales of SEPO increased to approximately RMB87.4 million, as compared to approximately RMB65.2 million for the six months ended 30 June 2017, representing an increase of approximately RMB22.3 million, or approximately 34.2%. For the six months ended 30 June 2018, the Group's sales of EPIAO decreased to approximately RMB339.3 million, as compared to approximately RMB343.9 million for the six months ended 30 June 2017, representing a slight decrease of approximately RMB4.5 million, or approximately 1.3%. The decrease was primarily attributable to a decrease in the ex-factory price. The second brand of the Group's rhEPO product, SEPO, performed strongly and expanded the market coverage. For the six months ended 30 June 2018, the sales of EPIAO and SEPO accounted for a total of approximately 19.5% of the Group's total sales of goods.

For the six months ended 30 June 2018, the Group's sales of Humulin were approximately RMB15.9 million, and service income associated with the promotion of Humulin was approximately RMB77.9 million, both of which were consolidated into the Group's consolidated financial statements since 1 July 2017.

For the six months ended 30 June 2018, the Group's sales of Byetta and Bydureon were approximately RMB78.4 million, as compared to approximately RMB85.2 million for the six months ended 30 June 2017, representing a slight decrease of RMB6.8 million, or approximately 7.9%. Bydureon demonstrated encouraging momentum after its launch, while Byetta is under some pressure.

For the six months ended 30 June 2018, the Group's sales of dermatology products increased to approximately RMB104.5 million, as compared to approximately RMB89.9 million for the six months ended 30 June 2017, representing an increase of approximately RMB14.6 million, or approximately 16.2%.

For the six months ended 30 June 2018, the Group's export sales increased to approximately RMB40.5 million, as compared to approximately RMB37.0 million for the six months ended 30 June 2017, representing an increase of approximately RMB3.5 million, or approximately 9.4%. The increase was primarily attributable to an increase in export sales to Sri Lanka.

For the six months ended 30 June 2018, the Group's sales of other products primarily included the contract manufacturing income derived from Sirton, a wholly-owned subsidiary of the Company, and the sales of IV Iron Sucrose, Sparin and Qiming Keli.

Cost of Sales

The Group's cost of sales increased from approximately RMB249.6 million for the six months ended 30 June 2017 to approximately RMB427.3 million for the six months ended 30 June 2018, which accounted for approximately 19.7% 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 2018, as compared to the corresponding period in 2017, and the consolidation of the cost of sales of Humulin into the Group's consolidated financial statements since 1 July 2017.

Gross Profit

For the six months ended 30 June 2018, the Group's gross profit increased to approximately RMB1,746.6 million, as compared to approximately RMB1,457.1 million for the six months ended 30 June 2017, representing an increase of approximately RMB289.6 million, or approximately 19.9%. The increase in the Group's gross profit was broadly in line with its revenue growth during the period. The Group's gross profit margin decreased to approximately 80.3% for the six months ended 30 June 2018 from approximately 85.4% for the corresponding period in 2017. The decrease was mainly attributable to the Group's consolidation of income associated with the promotion of Humulin since 1 July 2017, which had a lower gross 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 2018, the Group's other income and gains increased to approximately RMB117.5 million, as compared to approximately RMB35.4 million for the six months ended 30 June 2017, representing an increase

of approximately RMB82.1 million, or approximately 231.8%. The increase was mainly attributable to the increase in foreign exchange gains and interest income derived from the treasury or cash management products and other investments.

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 2018, the Group's selling and distribution expenses amounted to approximately RMB822.9 million, as compared to approximately RMB654.9 million for the six months ended 30 June 2017, representing an increase of approximately RMB168.0 million, or approximately 25.6%. The increase was mainly attributable to the increased promotional activities for the Group's key products and the marketing expenses associated with the launch of Bydureon. In terms of the percentage of revenue, the Group's selling and distribution expenses decreased from approximately 38.4% for the six months ended 30 June 2017 to approximately 37.9% for the six months ended 30 June 2018.

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 2018, the Group's administrative expenses amounted to approximately RMB134.3 million, as compared to approximately RMB140.1 million for the six months ended 30 June 2017, representing a decrease of approximately RMB5.8 million, or approximately 4.2%. The decrease was mainly due to the one-off advisory fee of RMB4.5 million incurred in 2017 in relation to the issuance of the Bonds. Had the effects of the non-recurring item been excluded, the administrative expenses for the six months ended 30 June 2018 would have been approximately RMB123.5 million, as compared to approximately RMB125.9 million for the six months ended 30 June 2017, representing a slight decrease of approximately RMB2.4 million, or approximately 1.9%. The administrative expenses (excluding the aforementioned non-recurring item) as a percentage of revenue was approximately 5.7% for the six months ended 30 June 2018, as compared to approximately 7.4% for the corresponding period in 2017.

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 2018, the Group's other expenses and losses amounted to approximately RMB224.2 million, as compared to approximately RMB149.1 million for the six months ended 30 June 2017, representing an increase of approximately RMB75.2 million, or approximately 50.4%. The increase was mainly due to increased R&D costs, which increased from approximately RMB113.1 million for the six months ended 30 June 2017 to approximately RMB178.0 million for the six months ended 30 June 2018.

Finance Costs

For the six months ended 30 June 2018, the Group's finance costs amounted to approximately RMB73.4 million, as compared to approximately RMB60.1 million for the six months ended 30 June 2017, representing an increase of approximately RMB13.3 million, or approximately 22.1%. The increase was mainly due to the increase in non-cash interest expenses of the Bonds, which was partially offset by the decrease in interest expenses derived from bank borrowings due to the repayment of bank borrowings during the six months ended 30 June 2018. Excluding the non-cash interest expenses of the Bonds, the finance cost for the six months ended 30 June 2018 would have been approximately RMB37.6 million.

Income Tax Expense

For the six months ended 30 June 2018, the Group's income tax expense amounted to approximately RMB92.7 million, as compared to approximately RMB93.7 million for the six months ended 30 June 2017, representing a decrease of approximately RMB1.1 million, or approximately 1.1%. The decrease was mainly due to the increase of tax-deductible expenses during the six months ended 30 June 2018, as compared to the corresponding period in 2017. The effective tax rates for the six months ended 30 June 2018 and the corresponding period in 2017 were 15.4% and 19.4% respectively. The decrease in effective tax rate was mainly due to the decrease in offshore losses for the six months ended 30 June 2018, as compared to those for the six months ended 30 June 2017.

EBITDA and Net Profit Attributable to Owners of the Parent

The EBITDA for the six months ended 30 June 2018 increased by approximately RMB139.1 million or approximately 21.3% to approximately RMB791.8 million, as compared to approximately RMB652.7 million for the six months ended 30 June 2017. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the expenses incurred in relation to the issuance of the Bonds in an aggregate principal amount of €300,000,000 due 2022; and (b) the option expenses associated with options granted on 2 February 2017. The Group's normalized EBITDA for the six months ended 30 June 2018 increased by approximately RMB171.5 million or approximately 25.7% to approximately RMB838.5 million, as compared to approximately RMB667.0 million for the six months ended 30 June 2017.

The net profit attributable to owners of the parent for the six months ended 30 June 2018 was approximately RMB514.2 million, as compared to approximately RMB392.8 million for the six months ended 30 June 2017, representing an increase of approximately RMB121.4 million, or approximately 30.9%. The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding, as applicable: (a) the expenses incurred in relation to the issuance of the Bonds in an aggregate principal amount of €300,000,000 due 2022; and (b) the option expenses associated with options granted on 2 February 2017. The Group's normalized net profit attributable to owners of the parent for the six months ended 30 June 2018 was approximately RMB560.8 million, as compared to approximately RMB407.0 million for the six months ended 30 June 2017, representing an increase of approximately RMB153.8 million, or approximately 37.8%. The faster growth of the normalized net profit than the revenue growth is primarily due to the lower interest expenses associated with bank loans, the increase in foreign exchange gains and in the interest income derived from the treasury or cash management products and other investments, as well as the accelerated growth of the Group's core products with higher operating margin and improvement of operating efficiency.

Other Financial Assets

As at 30 June 2018, other financial assets primarily comprised the investment in treasury or cash management products issued by certain banks, the investment in a listed company and the investments in private equity funds which focus on investment in healthcare industry, which were recognised as available-for-sale investments under IAS 39 in previous years.

Liquidity, Financial and Capital Resources

The Group's liquidity remained strong. For the six months ended 30 June 2018, the Group's operating activities generated a net cash inflow of approximately RMB446.8 million. As at 30 June 2018, the Group's cash and cash equivalents and time deposits (including pledged time deposits) were approximately RMB2,157.2 million.

Net Current Assets

As at 30 June 2018, the Group had net current assets of approximately RMB2,504.6 million, as compared to net current assets of approximately RMB3,080.4 million as at 31 December 2017. The current ratio of the Group decreased from approximately 2.4 as at 31 December 2017 to approximately 2.0 as at 30 June 2018. The decrease in net current assets was mainly due to the increase in long-term interest-bearing bank borrowings due within one year and the increase in dividend payable.

Funding and Treasury Policies, Borrowing and Pledge of Assets

The Group's finance department is responsible for the funding and treasury policies with regard to the overall business operation of the Group. The Company expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to internal financing and external financing at reasonable market rates. The Group continues to seek improving the return of the equity and assets while maintaining prudent funding and treasury policies.

As at 30 June 2018, the Group had an aggregate interest-bearing bank borrowings of approximately RMB1,567.9 million, as compared to approximately RMB2,134.3 million as at 31 December 2017. The decrease in bank borrowings primarily reflected the repayment of loans of RMB792.0 million, which was partially offset by the additional short-term bank loans of RMB221.5 million obtained in 2018. The short-term bank borrowings were obtained to replace long-term bank borrowings so as to lower interest expenses. Among the short-term deposits, none was pledged to secure bank loans as at 30 June 2018.

As at 30 June 2018, the Group had convertible bonds outstanding of approximately RMB2,234.9 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings (excluding the Bonds) by the total equity, decreased to approximately 19.4% as at 30 June 2018 from approximately 28.0% as at 31 December 2017. The decrease was primarily due to repayment of loans.

Contingent Liabilities

As at 30 June 2018, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB153.1 million as at 30 June 2018, as compared to approximately RMB93.5 million as at 31 December 2017.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in China, with all material aspects of its regular business conducted in Renminbi other than: (1) the operations of Sirton; and (2) the Group's exports, which amounted to approximately RMB40.5 million, or approximately 1.9% of the Group's revenue, for the six months ended 30 June 2018. Except for the operations of Sirton, the Group's exports, potential international deal-making expenditures (such as related to international licensing and acquisitions), foreign currency denominated bank deposits and the Euro-dominated Bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 30 June 2018, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD145.4 million (equivalent to approximately RMB962.1 million) denominated in US dollars; (2) approximately HKD15.9 million (equivalent to approximately RMB13.4 million) denominated in HK dollars; and (3) approximately €117.5 million (equivalent to approximately RMB899.2 million) denominated in Euro. The Group expects that the fluctuation of the Renminbi exchange rate will not have a material adverse effect on the operations of the Group in the foreseeable future.

Significant Investments Held

During the six months ended 30 June 2018, 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 RMB300 million to RMB400 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 expansion of the Group's 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 2018, the Group employed a total of 4,405 employees, as compared to a total of 4,051 employees as at 31 December 2017. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB474.1 million for the six months ended 30 June 2018, as compared to approximately RMB340.6 million for the corresponding period in 2017. 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 and other incentive initiatives such as share and cash awards 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 2018.

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 has complied with all applicable code provisions set out in the CG Code during the six months ended 30 June 2018.

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. Dr. 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 from time to time 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 had complied with the required standard as set out in the Model Code during the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises of two independent non-executive Directors and one non-executive Director, namely Mr. PU Tianruo (chairman), Mr. WANG Steven Dasong, 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 2018. The Audit Committee has also reviewed the effectiveness of the financial controls and 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 2018 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 2018. 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 2018 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 2018 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.
Dr. LOU Jing
Chairman

Shenyang, The PRC
20 August 2018

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