三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 5241)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS*

- Revenue increased by RMB734.2 million or 16.0% to RMB5,318.1 million.
- Gross profit increased by RMB686.1 million or 18.5% to RMB4,392.7 million, and gross profit margin was 82.6%.
- Research and development costs increased by RMB163.9 million or 45.2% to RMB526.6 million, accounting for 9.9% of revenue.
- Normalized EBITDA[1] increased by RMB223.2 million or 12.5% to RMB2,005.0 million. EBITDA decreased by RMB306.4 million or 16.2% to RMB1,586.4 million.
- Normalized net profit attributable to owners of the parent[2] increased by RMB226.2 million or 19.4% to RMB1,392.3 million. Net profit attributable to owners of the parent decreased by RMB303.5 million or 23.8% to RMB973.7 million.
- Net cash flows from operating activities increased by RMB737.1 million or 64.1% to RMB1,887.4 million. Gearing ratio excluding bonds decreased to 4.8% at 31 December 2019 from 11.2% at 31 December 2018.

* All numbers in this "Financial Highlights" section are subject to rounding adjustments and therefore approximate numbers only.

Notes:

1. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expense incurred in relation to the Euro-denominated zero-coupon convertible bonds (the "**Bonds**") in an aggregate principal amount of EUR300,000,000 due 2022; (b) the option expenses associated with the options granted on 2 February 2017; (c) the expenses associated with the awarded shares under an employee share ownership plan (the "**ESOP**") by an indirect non-wholly owned subsidiary, Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. ("**Sunshine Guojian**"), of 3SBio Inc. ("**3SBio**" or the "**Company**"); and (d) the fair value gain upon reclassification of an equity investment in Ascentage Pharma Group International ("**Ascentage Cayman**").

2. The normalized net profit attributable to owners of the parent is defined as the profit attributable to owners of the parent for the period excluding the same items as listed in Note 1 above.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December

	Notes	**2019** ***RMB'000***	2018 *RMB'000*
REVENUE	5	**5,318,091**	4,583,869
Cost of sales	6	**(925,347)**	(877,255)
Gross profit		**4,392,744**	3,706,614
Other income and gains	5	**218,107**	429,810
Selling and distribution expenses		**(1,950,733)**	(1,691,167)
Administrative expenses		**(676,009)**	(316,751)
Research and development costs		**(526,565)**	(362,706)
Other expenses	6	**(114,024)**	(123,662)
Finance costs	7	**(109,476)**	(138,382)
Share of profits and losses of:			
A joint venture		**4,970**	—
Associates		**(16,001)**	(8,245)
PROFIT BEFORE TAX		**1,223,013**	1,495,511
Income tax expense	8	**(242,785)**	(218,265)
PROFIT FOR THE YEAR		**980,228**	1,277,246
Attributable to:			
Owners of the parent		**973,717**	1,277,167
Non-controlling interests		**6,511**	79
		980,228	1,277,246
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic (RMB)	10	**0.38**	0.50
— Diluted (RMB)	10	**0.38**	0.49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**980,228**	1,277,246
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**27,732**	93,539
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**27,732**	93,539
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(2,801)**	16,740
Income tax effect	**3,660**	(6,394)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**859**	10,346
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**28,591**	103,885
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,008,819**	1,381,131
Attributable to:		
Owners of the parent	**1,002,308**	1,381,052
Non-controlling interests	**6,511**	79
	1,008,819	1,381,131

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December

	Notes	**2019** ***RMB'000***	2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,988,793**	1,791,961
Right-of-use assets		**335,936**	—
Prepaid land lease payments		**—**	326,457
Goodwill		**4,145,896**	4,089,064
Other intangible assets		**2,165,139**	2,298,735
Investment in a joint venture		**7,470**	2,500
Investments in associates		**593,414**	385,850
Equity investments designated at fair value through other comprehensive income		**676,989**	313,246
Long-term receivables		**6,555**	28,758
Prepayments, other receivables and other assets		**163,909**	81,149
Deferred tax assets		**129,024**	84,402
Total non-current assets		**10,213,125**	9,402,122
CURRENT ASSETS			
Inventories		**528,473**	384,609
Trade and notes receivables	11	**1,018,265**	1,483,885
Prepayments, other receivables and other assets		**472,360**	693,997
Equity investments designated at fair value through other comprehensive income		**—**	32,872
Financial assets at fair value through profit or loss		**472,163**	35,260
Derivative financial instrument		**—**	16
Pledged deposits	12	**22,073**	14,289
Cash and cash equivalents	12	**2,082,847**	1,792,605
Total current assets		**4,596,181**	4,437,533
CURRENT LIABILITIES			
Trade and bills payables	13	**149,763**	112,915
Other payables and accruals		**913,990**	845,725
Deferred income		**37,217**	35,887
Interest-bearing bank and other borrowings	14	**483,957**	570,328
Lease liabilities		**5,467**	—
Tax payable		**21,335**	90,686
Total current liabilities		**1,611,729**	1,655,541
NET CURRENT ASSETS		**2,984,452**	2,781,992
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,197,577**	12,184,114

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December

	Notes	**2019** ***RMB'000***	2018 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**13,286**	425,022
Lease liabilities		**3,964**	—
Convertible bonds		**2,304,750**	2,299,321
Deferred income		**242,314**	275,337
Deferred tax liabilities		**268,077**	270,761
Other non-current liabilities		**5,867**	6,303
Total non-current liabilities		**2,838,258**	3,276,744
Net assets		**10,359,319**	8,907,370
EQUITY			
Equity attributable to owners of the parent			
Share capital		**155**	156
Treasury shares		**—**	(40,586)
Share premium		**4,307,795**	4,376,056
Other reserves		**5,317,091**	4,278,807
		9,625,041	8,614,433
Non-controlling interests		**734,278**	292,937
Total equity		**10,359,319**	8,907,370

1. CORPORATE AND GROUP 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 year, the subsidiaries of the Company were principally engaged in the development, production, marketing and sale of biopharmaceutical products in the mainland area (the "**Mainland China**") of the People's Republic of China (the "**PRC**").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a derivative financial instrument, equity investments and certain financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainly over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for certain buildings. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

Financial impact at 1 January 2019

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) ***RMB'000***
Assets	
Increase in right-of-use assets	343,448
Increase in deferred tax assets	1,237
Decrease in prepaid land lease payments	(335,205)
Increase in total assets	9,480
Liabilities	
Increase in lease liabilities (including current and non-current portion)	8,243
Increase in deferred tax liabilities	1,237
Increase in total liabilities	9,480

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	11,851
Less: Commitments relating to short-term leases and those leases with a remaining term ended on or before 31 December 2019	(2,346)
	9,505
Weighted average incremental borrowing rate as at 1 January 2019	4.35%
Discounted operating lease commitments at 1 January 2019	8,243
Lease liabilities as at 1 January 2019	8,243

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The Group has assessed its tax position and determined that it is probable that it will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

The Group has only one operating segment, which is the development, production, marketing and sale of biopharmaceutical products.

Geographical information

(a) Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**5,175,586**	4,430,024
Others	**142,505**	153,845
	5,318,091	4,583,869

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**7,391,487**	6,817,104
Others	**2,009,070**	2,158,612
	9,400,557	8,975,716

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

The Group's customer base is diversified and no revenue from transactions with a significant customer amounted of 10% or more of the Group's total revenue during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of biopharmaceuticals	**5,292,397**	4,569,565
Technical service	**25,694**	14,304
	5,318,091	4,583,869

Revenue from contracts with customers

(a) Disaggregated revenue information

	2019	2018
	RMB'000	*RMB'000*
Type of goods or services		
Sale of biopharmaceuticals	**5,292,397**	4,569,565
Technical service	**25,694**	14,304
Total revenue from contracts with customers	**5,318,091**	4,583,869
Geographical markets		
Mainland China	**5,175,586**	4,430,024
Others	**142,505**	153,845
Total revenue from contracts with customers	**5,318,091**	4,583,869
Timing of revenue recognition		
Goods transferred at a point in time	**5,292,397**	4,569,565
Services transferred over time	**25,694**	14,304
Total revenue from contracts with customers	**5,318,091**	4,583,869

The following table shows the amount of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of biopharmaceuticals	**29,816**	76,854

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of biopharmaceuticals

The performance obligation is satisfied upon receipt of the biopharmaceutical products by customers and payment is generally due within 60 to 90 days from reception, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and trade discounts which give rise to variable consideration subject to constraint.

Technical service

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of milestones and customer acceptance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019	2018
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**18,300**	6,485
After one year	**15,705**	6,710
	34,005	13,195

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within two years related to technical service. The amounts disclosed above do not include variable consideration which is constrained.

	2019	2018
	RMB'000	*RMB'000*
Other income		
Government grants related to		
— Assets	**31,578**	35,350
— Income	**36,508**	26,786
Interest income	**83,858**	64,771
Licensing income	**991**	1,397
Others	**17,550**	16,396
	170,485	144,700
Gains		
Gain on reclassification from investment in an associate to equity investment designated at fair value through other comprehensive income	**—**	201,324
Foreign exchange differences, net	**47,622**	83,786
	47,622	285,110
	218,107	429,810

6. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**918,155**	870,628
Cost of service provided	**7,192**	6,627
Depreciation of property, plant and equipment	**185,608**	165,248
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**13,292**	8,480
Amortisation of other intangible assets	**135,068**	148,016
Amortisation of long-term deferred expenditures	**3,780**	1,958
Minimum lease payments under operating leases	**—**	9,137
Lease payments not included in the measurement of lease liabilities	**6,615**	—
Auditor's remuneration	**9,367**	7,813
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**973,269**	878,758
Equity-settled compensation expenses	**153,469**	15,756
Pension scheme contributions	**71,694**	68,384
Social welfare and other costs	**108,237**	91,218
	1,306,669	1,054,116
Other expenses:		
Donation	**63,679**	36,224
Loss on disposal of items of property, plant and equipment	**3,367**	10,054
Impairment of long-term receivables	**28,170**	8,095
(Reversal of provision for impairment)/provision for impairment of trade receivables	**(12,078)**	36,622
Provision for impairment of prepayments, other receivables and other assets	**25,717**	23,299
Fair value loss on a derivative financial instrument	**—**	1,323
Others	**5,169**	8,045
	114,024	123,662

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**36,380**	65,609
Interest on convertible bonds	**72,518**	72,773
Interest on lease liabilities	**578**	—
	109,476	138,382

8. 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 during the year 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**"), Shenzhen Sciprogen Bio-pharmaceutical Technology Co., Ltd. ("**Sciprogen**"), Zhejiang Wansheng Pharmaceutical Co., Ltd. ("**Zhejiang Wansheng**"), National Engineering Research Center of Antibody Medicine ("**NERC**") and Sunshine Guojian 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, Sciprogen, Zhejiang Wansheng, NERC and Sunshine Guojian are qualified as High and New Technology Enterprises and are entitled to a preferential income tax rate of 15%. In accordance with relevant Italian tax regulations, Sirton Pharmaceuticals S.p.A.("**Sirton**") is subject to income tax at a rate of 27.9% (2018: 27.9%).

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 on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate 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:

	2019	2018
	RMB'000	*RMB'000*
Current	**286,431**	242,145
Deferred	**(43,646)**	(23,880)
Total tax charge for the year	**242,785**	218,265

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China to the tax expense at the effective tax rate is as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**1,223,013**	1,495,511
At the PRC's statutory income tax rate of 25%	**305,753**	373,878
Preferential income tax rates applicable to subsidiaries	**(81,911)**	(186,862)
Additional deductible allowance for research and development costs	**(59,890)**	(32,430)
Income not subject to tax	**(15,157)**	(24,503)
Effect of non-deductible expenses	**16,744**	29,964
Tax losses utilised from previous periods	**(1,361)**	(1,268)
Tax losses not recognised	**74,889**	59,657
Others	**3,718**	(171)
Tax charge at the Group's effective rate	**242,785**	218,265

The effective tax rate of the Group for the year ended 31 December 2019 was 19.9% (2018: 14.6%).

9. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Proposed and declared dividend	**—**	—

No dividends were declared or paid by the Company for the year ended 31 December 2019 (31 December 2018: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,535,438,744 (2018: 2,540,646,747) in issue during the year, as adjusted to reflect the issue of ordinary shares during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary 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 year, 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:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**973,717**	1,277,167
Interest on convertible bonds	**—**	72,773
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**973,717**	1,349,940

	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year	**2,535,438,744**	2,540,646,747
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**—**	23,600,245
Share options	**2,299,436**	1,428,049
Convertible bonds	**—**	188,363,445
	2,537,738,180	2,754,038,486

Because the diluted earnings per share amount increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share.

11. TRADE AND NOTES RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**982,331**	1,410,660
Notes receivable	**87,485**	136,854
	1,069,816	1,547,514
Impairment	**(51,551)**	(63,629)
	1,018,265	1,483,885

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 a 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 as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**464,339**	708,267
1 to 3 months	**375,581**	566,211
3 to 6 months	**74,424**	28,350
6 months to 1 year	**18,682**	44,203
1 to 2 years	**14,981**	38,939
Over 2 years	**34,324**	24,690
	982,331	1,410,660

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**63,629**	27,007
Impairment losses, net	**(12,078)**	36,622
At end of year	**51,551**	63,629

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e. by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Ageing					
	Within 1 month	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**Over 2 years**
Expected credit loss rate	**0.83%**	**0.83%**	**0.83%**	**0.83%**	**63.30%**	**100.00%**
Gross carrying amount (RMB'000)	**464,339**	**375,581**	**74,424**	**18,682**	**14,981**	**34,324**
Expected credit losses (RMB'000)	**3,854**	**3,117**	**618**	**155**	**9,483**	**34,324**

As at 31 December 2018

	Ageing					
	Within 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years
Expected credit loss rate	0.83%	0.83%	0.83%	0.83%	71.29%	100%
Gross carrying amount (RMB'000)	708,267	566,211	28,350	44,203	38,939	24,690
Expected credit losses (RMB'000)	5,879	4,700	235	367	27,758	24,690

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019	2018
	RMB'000	*RMB'000*
Cash and bank balances	**2,082,142**	1,791,104
Restricted cash	**705**	1,501
Pledged deposits	**22,073**	14,289
	2,104,920	1,806,894
Less:		
Pledged deposits for letters of credit	**(10,000)**	(248)
Pledged deposits for bank acceptance bills	**(12,073)**	(14,041)
Cash and cash equivalents	**2,082,847**	1,792,605

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

The Group's cash and cash equivalents and deposits as at 31 December 2019 are denominated in the following currencies:

	2019	2018
	RMB'000	*RMB'000*
Denominated in:		
— RMB	**1,585,014**	674,036
— HKD	**85,380**	142,063
— USD	**310,954**	308,185
— EUR	**123,570**	682,607
— Great Britain Pound ("**GBP**")	**2**	3
	2,104,920	1,806,894

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the reporting period. Deposits of approximately RMB22,073,000 (2018: RMB14,289,000) have been pledged to secure letters of credit and bank acceptance bills as at 31 December 2019.

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**131,436**	92,046
3 to 6 months	**14,790**	18,721
Over 6 months	**3,537**	2,148
	149,763	112,915

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans — secured	**1–4.35**	**2020**	**483,957**	3.71	2019	52,572
Current portion of long term bank loans — secured	**—**	**—**	**—**	4.2	2019	517,756
			483,957			570,328
Non-current						
Other secured bank loans	**2.75**	**2028**	**13,286**	2.75–4.65	2021–2028	425,022
			13,286			425,022
Convertible bonds	**2.5**	**2017–2022**	**2,304,750**	2.5	2017–2022	2,299,321
			2,304,750			2,299,321
			2,801,993			3,294,671

	2019 ***RMB'000***	2018 *RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**483,957**	570,328
In the second year	**—**	—
In the third to ten years, inclusive	**13,286**	425,022
	497,243	995,350

Notes:

(a) The bank borrowings bear interest at fixed interest rates ranging from 1% to 4.65% per annum.

(b) Certain of the Group's bank loans are secured by mortgages over the Group's land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB2,733,000 (2018: RMB2,744,000) and RMB14,443,000 (2018: RMB14,308,000), respectively.

(c) As at 31 December 2019, except for secured bank borrowings of RMB179,157,000 (2018: RMB692,996,000) and RMB64,086,000 (2018: RMB2,354,000) which were dominated in HKD and in EUR respectively, all the bank borrowings were denominated in RMB.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

3SBio is a leading biotechnology company in the PRC. 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 products are market leaders in Mainland China. TPIAO is the only commercialized recombinant human thrombopoietin ("**rhTPO**") product in the world. According to IQVIA[1], the market share in the treatment of thrombocytopenia, in terms of sales value, of TPIAO in Mainland China increased to 73.2% in 2019. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a continuing dominant market share in Mainland China of 60.9% in 2019. With its two rhEPO products, the Group has been the premier market leader in the rhEPO market in Mainland China for nearly two decades, holding a total market share of 41.6% in 2019. The Group has been expanding its therapeutic coverage by adding products through internal research and development ("**R&D**") and various external strategic partnerships.

Proposed Spin-off of Sunshine Guojian

As announced on 31 October 2019, the Shanghai Stock Exchange (the "**SSE**") formally accepted the spin-off application by Sunshine Guojian, an indirect non-wholly owned subsidiary of the Company, for listing on its Science and Technology Innovation Board (the "**STAR Market**"). The Stock Exchange has confirmed that the Company may proceed with the proposed spin-off.

The Company expects that the proposed listing will involve issuance and allotment of only new ordinary shares of Sunshine Guojian (the "**Guojian Shares**") and the Company does not intend to sell any Guojian Shares under the proposed listing.

The proposed spin-off is expected to be effected by way of a public offering of up to 10% of the share capital of Sunshine Guojian as enlarged by the proposed spin-off and listing of such shares on the STAR Market. The offering size of the proposed listing is subject to the requirements of the PRC regulations and prevailing market conditions. The Company currently holds 89.96% of Sunshine Guojian's share capital. It is anticipated that the Company will continue to hold more than 50% of Sunshine Guojian's share capital upon completion of the proposed listing and the offering; hence, Sunshine Guojian will remain as a non-wholly owned subsidiary of the Company.

The proposed spin-off is conditional upon, among other things, the approval of the China Securities Regulatory Commission and the SSE to the proposed listing and completion of the offering.

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1 Formerly IMS Health Inc. All market share information throughout this announcement cites the IQVIA data, unless otherwise noted.

The Directors consider that the proposed spin-off will, among other things, (i) marketize the price of the equity interests of Sunshine Guojian; (ii) provide new sources of capital for Sunshine Guojian; (iii) enhance corporate and brand awareness on both the Group level and Sunshine Guojian level; (iv) attract talents to join Sunshine Guojian; and (v) enable Sunshine Guojian and the other part of the Group to be more focused in developing and strategically planning their respective businesses. As such, the Board believes that there are clear commercial benefits to the Group under the proposed spin-off.

For further details, please refer to the Company's announcement dated 31 October 2019. As at the date of this announcement, the proposed spin-off has not been completed and further announcements in connection with the proposed spin-off will be made by the Company when and where applicable.

Key Events

In view of the contemplated listing of Guojian Shares and as announced on 2 July 2019, as part of the Group's initiatives to incentivise the performance of its directors, senior management and employees, Sunshine Guojian entered into a subscription agreement and other ESOP agreements with relevant parties on 30 June 2019 in relation to the subscription of certain allotted shares in Sunshine Guojian under the ESOP. Guojian Shares were granted and allotted to selected participants comprising connected persons and independent employees of the Group. For details of the ESOP and grant of awarded shares by Sunshine Guojian, please refer to the Company's announcement dated 2 July 2019.

On 20 August 2019, the PRC National Healthcare Security Administration released the 2019 National Reimbursement Drug List ("**NRDL**"). In the 2019 NRDL, among the Group's products, two indications and one product were newly included, and one product (in one specification) was re-classified from Class B to Class A, namely: for Yisaipu, the indication of the treatment of adult patients with severe plaque psoriasis was added; for EPIAO, the indication of chemotherapy-induced anemia in patients with non-hematological malignancies was added; Fluticasone Propionate Cream (Shinuo), a product with broad applications in the treatment of a variety of dermatological disorders, was newly included; and Humulin NPH was reclassified from Class B to Class A. Additionally, in November 2019, Byetta was included in the 2019 NRDL to treat type 2 diabetes through the negotiated mechanism. The 2019 NRDL took effect on 1 January 2020; and the preceding version, the 2017 NRDL, was then repealed.

Please also refer to "Key Product Developments" and "Key R&D Collaboration and Partnership Activities" sections below.

Key Events after the Reporting Period

As announced on 25 February 2020, the Group received an investigational new drug ("**IND**") approval from the PRC National Medical Products Administration[2] ("**NMPA**") to conduct clinical trials of an anti-IL-5 antibody (610) in patients with severe eosinophilic asthma. The Group is actively preparing to initiate patient enrollment.

2 Formerly the China Food and Drug Administration.

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 NMPA 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 is listed in the 2019 NRDL as a Class B Drug ("Western Medicine" Section No. 234) for the treatment of severe CIT in patients with solid tumors or ITP. In "Consensus on the Clinical Diagnosis, Treatment, and Prevention of Chemotherapy-Induced Thrombocytopenia in China (2019 version)" (authored by the Society of Chemotherapy and Committee of Neoplastic Supportive-Care (CONS), both subordinate units under China Anti-Cancer Association), TPIAO is one of the primary treatments for CIT. In "The Chinese Guidelines for Treatment of Adult Primary Immune Thrombocytopenia", published in International Journal of Hematology in April 2018, rhTPO was included as the first choice recommendation for the second line treatments list. In "The Consensus of the China Experts on Diagnosis and Treatment of Adult Primary Immune Thrombocytopenia" (2016 Version), rhTPO products were included as the first choice recommendation for the second line treatments list and were recommended among the medicines to boost platelet production in certain emergency cases. In "The Guidelines of Chinese Society of Clinical Oncology (CSCO) — Soft Tissue Sarcoma (2019)", rhTPO is a primary treatment strategy for thrombocytopenia accompanying treating soft tissue sarcoma. TPIAO has also received similar professional endorsements in several national guidelines and experts concensus on treating other diseases in Mainland China, including conventional osteosarcoma and certain other off-label uses.

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 Mainland China. The inclusion in the NRDL led to an accelerated growth for TPIAO. The Group believes that TPIAO is still at an early stage of its product life cycle. The Group estimates that its penetration rates for both CIT and ITP indications in Mainland China are in the range of approximately 23% to 30%. Currently, the majority of the Group's sales of TPIAO is generated from approximately 10% of the hospitals covered by the Group's sales team. In 2019, its market share for the treatment of thrombocytopenia in Mainland China, in terms of sales volume, was 25.8%; and, in terms of sales value, was 73.2%. The Group has started a phase III clinical trial of TPIAO in the pediatric ITP indication. Patient enrollment is ongoing. A phase I clinical trial for TPIAO in surgery patients with hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group is planning to initiate the phase II trials soon. Outside of Mainland China, TPIAO has been approved in eight countries, including Ukraine, the Philippines and Thailand.

Yisaipu, generically known as etanercept, is a TNF α inhibitor product. It was first launched in 2005 in Mainland China for rheumatoid arthritis ("**RA**"). Its indications were expanded to ankylosing spondylitis ("**AS**") and psoriasis in 2007. The Group actively participated in the development of "The 2018 China Rheumatoid Arthritis Treatment Guidance" (the "**Guidance**"), an authoritative document issued by the China Medical Association. Yisaipu was adopted in the Guidance under 'TNF α inhibitors' as one of the RA treatment options, and the Guidance deemed TNF α inhibitors as a group of biological agents with relatively sufficient evidence and relatively wide adoption in treating RA. Yisaipu is listed in the 2019 NRDL as a Class B Drug ("Western Medicine" Section No. 857) for the treatment of patients with confirmed diagnosis of RA and for the treatment of patients with confirmed diagnosis of AS (excluding pre-radiographic axial spondyloarthritis), each subject to certain medical prerequisites, and for the treatment of adult patients with severe plaque psoriasis. Yisaipu has experienced a significant growth as the first-to-

market etanercept product in Mainland China, with a dominant market share in Mainland China of 60.9% by sales value in 2019. The sales coverage of Yisaipu extended to more than 3,500 hospitals in Mainland China, including over 1,500 Grade III hospitals. The Group believes that Yisaipu is still at an early stage of its product life cycle. The Group estimates that its penetration rates for RA and AS in Mainland China are in the range of approximately 5% to 9%. Currently, the majority of the Group's sales of Yisaipu is generated from approximately 8% of the hospitals covered by the Group's sales team. The Group completed the Phase III trial for pre-filled aqueous injection solution of Yisaipu and submitted the application for manufacturing approval in July 2019. The application was accepted for review by the NMPA. Yisaipu aqueous injection solution is the first self-developed pre-filled fusion protein injection solution in Mainland China. If approved, Yisaipu will likely be the only TNF α inhibitor product in pre-filled format among its Chinese peers. The Group is of the view that the pre-filled aqueous injection solution of Yisaipu will improve convenience and compliance for patients, and contribute to further growth of Yisaipu. Outside of Mainland China, Yisaipu has been approved in 15 countries, including India, Thailand, the Philippines, and Mexico.

EPIAO is still the only rhEPO product approved by the NMPA for the following 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 been listed in the NRDL as a Class B Drug, for renal anemia since 2000, and, additionally in 2019 NRDL, for CIA in patients with non-hematological malignancies. EPIAO has also been listed in the 2018 National Essential Drug List. EPIAO has consistently been the dominant market leader in Mainland China rhEPO market since 2002 in terms of both sales volume and value. EPIAO is the only rhEPO product in Mainland China available at 36,000 IU (international unit per vial) dosage, and together with SEPO, claims the majority of Mainland China rhEPO market share at 10,000 IU dosage. Future growth for EPIAO is expected to 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 Mainland China as compared with other countries; and (2) the increase in the applications of EPIAO in CIA oncology indication and in reducing allogeneic blood transfusion in Mainland China, which the Group believes is at a very early stage of growth. The 2019 NRDL addition of a CIA oncology indication validates the growth potential of EPIAO as well as the Group's assessment. 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 in Mainland China, where sales of its rhEPO products have been experiencing significant growth. The Group expects that SEPO will continue to gain market share in the rhEPO market in Mainland China. The Group has initiated patient enrollment in phase II clinical trials on NuPIAO (SSS06), a second-generation rhEPO to treat anemia. The Group is currently planning for phase II trials on RD001, a pegylated long-acting rhEPO to treat anemia. Outside of Mainland China, EPIAO has been approved in 22 countries, including Ukraine, Thailand and Egypt. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand have made good progress, and patient recruitment has been completed by the end of 2019. The trial is expected to be completed within 2020.

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 Eli Lilly and Company (NYSE: LLY) ("**Lilly**"), and the Group started to consolidate the revenue of Humulin from July 2017. Diabetes is a major chronic disease in Mainland China, which has the largest diabetes patient population in the world. The Group is of the view that the classification of human insulin as a Class A Drug in the NRDL and the establishment and implementation of the tiered medical service system will lead to further growth of human insulin in lower tier markets in Mainland 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 PLC ("**AstraZeneca**"), and the Group has started to record the revenue of Byetta from October 2016. Byetta was included in the 2019 NRDL to treat type 2 diabetes through the negotiated mechanism in November 2019. Bydureon, the weekly administered GLP-1 receptor agonist product licensed from AstraZeneca, was launched in May 2018, and the Group has started to record its revenue since then. 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 were 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 recommended 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. In "Standards of Medical Care in Diabetes 2019" (the "**Standards**"), issued by the American Diabetes Association, GLP-1 receptor agonists was recommended in various type 2 diabetes comorbidities scenarios as pharmacologic therapy, and the Standards stated that in most patients who need the greater glucose-lowering effect of an injectable medication, GLP-1 receptor agonists are preferred over insulin; and GLP-1 receptor agonists were also recommended as the best choice for a second agent in combination therapy for patients in whom certain comorbidities predominates.

Qiming Keli (芪明颗粒), Mandi (蔓迪), Disu (迪蘇) and Laiduofei (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 listed in the 2019 NRDL as a Class B Drug ("Traditional Chinese Medicine — Prepared Prescription" Section No. 1064) for the treatment of non-proliferative retinopathy caused by type 2 diabetes.

Research and Development

The Group's integrated R&D platform covers a broad range of technical expertise in the discovery and development of various innovative bio-pharmaceutical and small molecule products, including antibody discovery, molecular cloning, antibody/protein engineering, gene expression, cell line construction, manufacturing process development, pilot and 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 the 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 biological products as well as in small molecule therapeutics. Currently, the Group has several leading biological products in various stages of clinical development, including 302H (an anti-HER2 antibody to treat metastatic breast cancer), 304R (an anti-CD20 antibody to treat Non-Hodgkin's lymphoma and other autoimmune diseases), 301S (the pre-filled aqueous injection solution of Yisaipu), SSS06 (NuPIAO, a second-generation rhEPO to treat anemia), RD001 (a pegylated long-acting rhEPO to treat anemia), SSS07 (an anti-TNFα antibody to treat RA and other inflammatory diseases),

pegsiticase (a modified pegylated recombinant uricase from candida utilis to treat refractory gout), 601A (an anti-vascular endothelial growth factor ("**VEGF**") antibody to treat age-related macular degeneration ("**AMD**") and other ophthalmological diseases), 602 (an anti-epidermal growth factor receptor ("**EGFR**") antibody to treat cancer), 608 (an anti-interleukin ("**IL**")-17A antibody to treat autoimmune and other inflammatory diseases), 609A (an anti-programmed cell death protein 1 ("**PD1**") antibody to treat cancer) and 610 (an anti-IL-5 antibody to treat severe asthma). On the small molecule side, the Group is initiating clinical trials of two innovative products: nalfurafine hydrochloride (TRK-820, a highly selective kappa receptor agonist) to treat pruritus in hemodialysis patients, and HIF-117 capsule (SSS17, a selective small molecule inhibitor to hypoxia inducible factor proline hydroxylase) to treat anemia. In addition, the Group is performing bio-equivalency studies of a number of generic small molecule products in the field of nephrology, autoimmune and dermatological diseases.

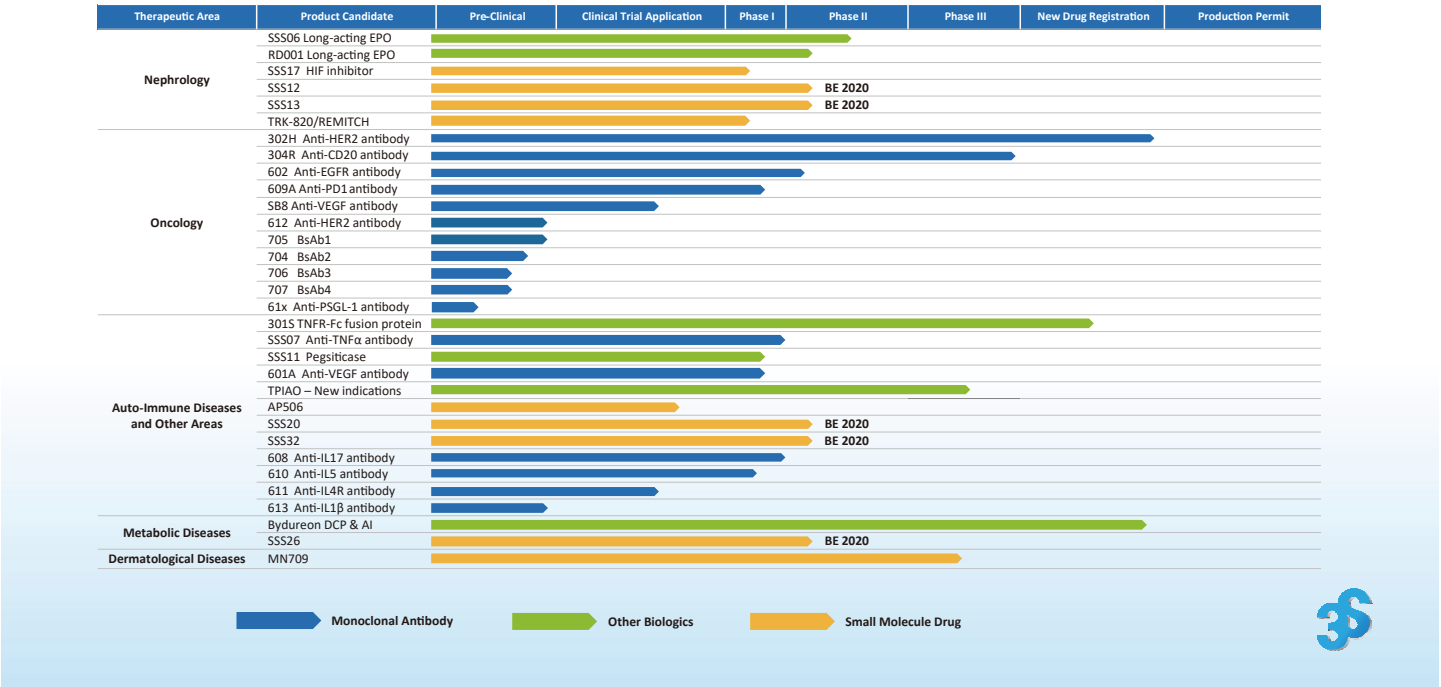
On the research front, the Group is developing a panel of novel biological products, including monoclonal antibodies ("**mAb**"), bi-specific antibodies and fusion proteins, and a number of small molecule drugs, both innovative and generic, in the areas of oncology, autoimmune and inflammatory diseases, nephrology, metabolic and dermatological diseases.

The Group's R&D team consisting of over 380 (as at 31 December 2019) experienced scientists 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.

Product Pipeline

As at 31 December 2019, amongst the 32 product candidates within the Group's active pipeline, 22 were being developed as National New Drugs (including registration Class I and Biologics Class II) in Mainland China. The Group has 11 product candidates in oncology; 12 product candidates that target auto-immune diseases including RA, and other diseases including refractory gout and ophthalmological diseases such as AMD; six product candidates in nephrology; two product candidates in the metabolic area that target type 2 diabetes; and one product candidate in dermatology. A total of 23 of the 32 product candidates are biologics, and the other nine are small molecules.

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



Key Product Developments

During the period from 2009 to 2013, the Group conducted an open label, multi-center, perspective phase III trial in Mainland China with 302H (inetetamab/ 伊尼妥單抗 , Cipterbin®/ 賽普汀 ®), a humanized anti-HER2 antibody for injection, in patients with HER2 over-expressing metastatic breast cancer. During the years of 2017 and 2018, the Group completed a thorough inspection and audit of all the clinical sites involved in the trial and the associated clinical data, with the assistance of a retained third-party clinical study audit firm. In September 2018, the Group re-submitted a new drug application to the NMPA for the approval of 302H for the treatment of patients with HER2 over-expressing metastatic breast cancer. The application was granted with a priority review status by the NMPA. As at the date of this announcement, technical reviews, clinical trial site inspection as well as manufacturing site inspection have all been completed by the Center of Drug Evaluation of the NMPA.

The Group has completed the phase III trial on the pre-filled aqueous injection solution of Yisaipu (301S) and submitted an application to the NMPA for manufacturing approval in July 2019. The application was accepted for review by the NMPA.

The Group has completed a phase I head-to-head trial comparing 304R (Jiantuoxi, an anti-CD20 antibody) with rituximab (Rituxan®) in non-Hodgkin's lymphoma patients with zero tumor burden, with major endpoints of safety and pharmacokinetics. The data is being analyzed, and study report will be finalized soon.

The Group has started a phase III clinical trial of TPIAO in the pediatric ITP indication. Patient enrollment is ongoing. A phase I clinical trial for TPIAO in surgery patients with hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group is planning to initiate the phase II trials soon.

The Group has completed multiple phase I trials on NuPIAO (SSS06) in anemic patients, and has initiated patient enrollment in phase II clinical trials.

The Group has completed a dose-escalating phase I safety and pharmacokinetics study on RD001 in healthy volunteers, and is currently planning for phase II trials in anemic patients.

The Group has completed the phase I clinical trial of a humanized anti-TNF α antibody (SSS07) in both healthy volunteers and RA patients, and is currently preparing for phase II trials in patients with RA and other inflammatory diseases.

The Group has completed two phase I trials of an anti-EGFR antibody (602) in healthy volunteers and patients with colorectal cancers, and is currently planning advanced clinical trials of the product in patients with colorectal cancer.

The Group is currently conducting the phase I clinical trials for pegsiticase (SSS11) in refractory gout patients with high uric acid level. In the United States, the Group's business partner, Selecta Biosciences, Inc. (NASDAQ: SELB) ("**Selecta**"), has completed a phase II clinical trial for SEL-212 (consisting of pegsiticase, co-administered with SVP-Rapamycin to prevent the formation of anti-drug antibodies), and results showed that SEL-212 treatment led to 66% of evaluable patients maintaining a serum uric acid level below 6 mg/ml throughout 5 months of therapy. Selecta has since launched a head-to-head safety and efficacy trial comparing SEL-212 with Krystexxa® (pegloticase), a therapy for the treatment of severe, treatment-refractory, chronic gout approved by the U.S. Food and Drug Administration ("**US FDA**"). Selecta expects to release interim results soon.

As announced on 25 June 2019, the Group had obtained the Certificate of Good Manufacturing Practice ("**GMP**") for Pharmaceutical Products issued by the NMPA for its recombinant anti-CD25 humanized mAb injection ("**Xenopax**"). The product is approved for prevention of acute rejection of kidney transplantation and can be used in combination with conventional immune-suppressive therapy to significantly improve the survival rate of transplanted organs and to enhance patient quality of life. Xenopax is the first humanized therapeutic mAb developed by a domestic company and approved for launch in Mainland China. The Group began to market this product in October 2019.

As announced on 1 August 2019, the Group received an IND approval from the NMPA to conduct clinical trials of an anti-IL-17A antibody (608) in patients with moderate to severe plaque psoriasis and other inflammatory diseases. The phase I trial has been initiated and patient enrollment is ongoing.

On 29 August 2019, the Group received an IND approval from the NMPA to conduct clinical trials of an anti-PD1 antibody (609A) in patients with various cancers. Patient enrollment is expected to start soon. The Group also received an IND approval from the US FDA for 609A for clinical trials in patients with various cancers in January 2019. Patient enrollment in US phase I trial is progressing smoothly according to the plan.

As announced on 18 September 2019, the Group received an IND approval from the NMPA to conduct clinical trials of nalfurafine hydrochloride (TRK-820, known as "REMITCH" as approved in Japan), an in-licensed product from Toray Industries, Inc., to treat pruritus in hemodialysis patients. TRK-820 is a highly selective κ (kappa)-opioid receptor agonist marketed in Japan since 2009 to treat pruritus in patients with chronic kidney and liver diseases. Patient enrollment is expected to start soon.

On 12 November 2019, the Group received an IND approval from the NMPA to conduct clinical trials of HIF-117 capsule (SSS17) to treat anemia patients. SSS17 is a selective small molecule inhibitor to hypoxia inducible factor proline hydroxylase (HIF-PH), a molecule which can improve the stability and half-life of hypoxia inducible factor α (HIFα), so as to motivate the secretion of erythropoietin, or EPO. It is expected that SSS17 will create synergies with the Group's rhEPO injections and provide CKD patients with alternative treatment options, particularly for pre-dialysis patients, a large and under-treated patient population in Mainland China. Patient enrollment is expected to start soon.

On 18 November 2019, the Group received a license granted by Verseau Therapeutics Inc. ("**Verseau**") for a novel PSGL-1-targeted antibody (VTX-0811) in the field of immune-oncology to treat various cancers. PSGL-1 is an adhesion molecule that is highly expressed on tumor-associated macrophages across most tumor types. VTX-0811 reprograms macrophages to a pro-inflammatory state, activates T cells and other immune cells and generates a greater antitumor response compared to current immunotherapies.

As announced on 25 February 2020, the Group received an IND approval from the NMPA to conduct clinical trials of an anti-IL-5 antibody (610) in patients with severe eosinophilic asthma. The Group is actively preparing to initiate patient enrollment.

Key R&D Collaboration and Partnership Activities

As announced on 7 January 2019, Hongkong Sansheng Medical Limited, a wholly-owned subsidiary of the Company, entered into a collaboration agreement (the "**Samsung Agreement**") with Samsung Bioepis Co., Ltd. ("**Samsung Bioepis**") for the clinical development and commercialization of multiple biosimilar candidates developed by Samsung Bioepis, including the SB8 bevacizumab biosimilar candidate in Mainland China. Pursuant to the Samsung Agreement, Samsung Bioepis is responsible for manufacturing and supplying products, and collaborating with the Group across a number of areas including clinical development, regulatory registration and commercialization in Mainland China. The indications of the bevacizumab biosimilar candidate in Mainland China will focus on metastatic colorectal cancer (mCRC) and non-small cell lung cancer (NSCLC).

On 11 February 2019, the Group and Cambridge, Massachusetts-based Verseau announced the entering into of a partnership agreement (the "**Partnership Agreement**") focusing on the development and commercialization of novel mAbs in the field of immuno-oncology for a broad range of cancers. Verseau's proprietary drug discovery platform generates first-in-class macrophage checkpoint modulators ("**MCM**") to benefit patients with cancer, immune and inflammatory diseases. Under the terms of the Partnership Agreement, the Group receives an exclusive license to develop and commercialize a selective number of MCM antibodies for all human oncology indications in the agreement-defined territory. Verseau is responsible for the discovery and optimization of MCM antibodies. The Group funds and conducts antibody development, GMP manufacturing and commercialization in the agreement-defined territory. This collaboration with Verseau provides the Group with access to novel and differentiated immune-modulating antibodies that will complement the Group's growing innovative oncology portfolio. On 18 November 2019, the Group selected a humanized PSGL-1-targeted antibody (VTX-0811) as the first licensed program under the Partnership Agreement.

On 4 March 2019, the Group and Taiwan Liposome Company, Ltd. (Nasdaq: TLC, TWO: 4152) ("**TLC**") announced an exclusive partnership to commercialize in Mainland China two liposomal products utilizing TLC's proprietary NanoX™ technology platform in the therapeutic areas of oncology and severe infectious diseases. Under this partnership, TLC and the Group will cooperate to obtain regulatory approvals in Mainland China, and TLC will utilize its commercial scale manufacturing capabilities to supply the two liposomal products to the Group for commercialization in Mainland China. The two companies also agreed to further collaborate in researching and

developing other novel liposomal products in the therapeutic areas of osteoarthritis, pain management, ophthalmology and oncology. NanoX™ active drug loading technology is designed to alter the systemic exposure of the drug, potentially reducing dosing frequency and enhancing distribution of liposome-encapsulated active agents to the desired site.

In June 2019, the Group participated as a limited partner in the MPM Oncology Innovations Fund ("**INV**"). INV collaborates with the Dana-Farber Innovations Research Fund ("**IRF**") of Dana-Farber Cancer Institute, one of the world's leading centers of cancer research and treatment. The Group also agreed to make donation to the IRF, to support early-stage oncology research at Dana-Farber. 50% of the capital from INV is expected to be invested in new companies generated from Dana-Farber research. Part of the INV-IRF collaboration also involves the right of first offer to license certain Dana-Farber technologies that have been identified for commercialization.

In September 2019, in connection with a financing arrangement, Sensorion (Paris Stock Quote: ALSEN), a French pioneering clinical-stage biopharmaceutical company, which specializes in the development of novel therapies to restore, treat and prevent inner ear diseases such as hearing loss, granted the Group a right of first refusal for potential licensing on any of its four current pipeline products in the Greater China region. Sensorion's clinical-stage portfolio includes two phase 2 products: Seliforant (SENS-111), which is under investigation, for acute unilateral vestibulopathy and Arazasetron (SENS-401) for sudden sensorineural hearing loss (SSNHL). Sensorion has built a unique R&D technology platform to expand its understanding of the physiopathology and etiology of inner ear related diseases enabling it to select the best targets and modalities for drug candidates. It has also identified biomarkers to improve diagnosis and treatment of these underserved illnesses. Its two preclinical gene programs aim at correcting hereditary monogenic forms of deafness including Usher Type 1 and deafness caused by a mutation of the gene encoding for Otoferlin.

As announced on 12 December 2019, Sunshine Guojian entered into a collaboration agreement with Switzerland-based Numab Therapeutics ("**Numab**"), pursuant to which Sunshine Guojian will develop and commercialize a portfolio of novel multi-specific antibodies for cancer therapy based on Numab's technology platform. Under the agreement, Sunshine Guojian has the right to select up to five antibody molecules emerging from up to three multi-specific antibody programs based on Numab's R&D platform and has the exclusive licenses to develop and commercialize each of the selected antibody molecules in Greater China territories, including Mainland China, Hong Kong, Macao and Taiwan, while Numab retains exclusive commercial rights in the rest of the world. Multi-specific antibodies have the potential to unlock entirely novel modes-of-action aiming at superior benefit-to-risk profiles relative to conventional cancer immune therapies. Numab's proprietary MATCH™ technology platform represents one of the most versatile and flexible sources for multi-specific antibodies. MATCH™ molecules can incorporate up to six binding specificities in true plug-and-play fashion. The individual antibody Fv building blocks are designed for maximum stability and developability.

On 20 December 2019, in connection with a financing arrangement, GenSight Biologics (Euronext: SIGHT) ("**GenSight**"), a French biopharma company focused on discovering and developing innovative gene therapies for retinal neurodegenerative diseases and central nervous system disorders, agreed to grant 3SBio a right of first refusal (subject to buy-back by GenSight in certain event) for potential licensing or co-development, encompassing manufacturing rights, in Greater China area, on its two lead products, GS010 for Leber Hereditary Optic Neuropathy (LHON) and GS030 for Retinitis Pigmentosa. GenSight and 3SBio have agreed to enter discussions on a potential licensing or co-development collaboration for these two products for Greater China area.

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 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 31 December 2019, the Group's extensive sales and distribution network in Mainland China was supported by approximately 3,372 sales and marketing employees, 660 distributors and 2,079 third-party promoters. As at 31 December 2019, the Group's sales team covered over 2,000 Grade III hospitals and over 14,000 Grade II or lower hospitals and medical institutions, reaching all provinces, autonomous regions and special municipalities in Mainland 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.

Outlook

With the deepening of the healthcare reform in Mainland China, the Group is of the view that the pharmaceutical industry landscape is in transformation. The healthcare reform favors companies that focus on innovation, product quality and market access. The preferential policies towards innovative drugs with proven efficacy extend over the full pharmaceutical life cycle, from R&D, regulatory review, manufacturing to payment. More policy supports will be given to innovative drugs and drugs with urgent clinical needs, indicating accelerated approval timeline and greater chance for such drugs to be included in the NRDL.

The R&D standard has been raised, which promotes better product quality. The acceptance of overseas clinical trial data will help bring in more innovative drugs to address unmet medical needs in Mainland China. The improved living standards and the accelerated-aging population will demand more high quality healthcare products.

The mission of the Group is to stand at the forefront of innovation and to provide medicines that are innovative, affordable, and of international quality standard to the public. The Group aims to become a China-based, leading global bio-pharmaceutical company by leveraging its integrated R&D, production and marketing platforms.

According to IQVIA, in 2019, the Group ranked 25th in the Mainland China hospital sales market, in terms of sales value, among all the pharmaceutical companies. The Group plans to improve the accessibility of its marketed products by further penetrating into the hospitals currently covered by the Group's sales and marketing team and new hospitals to be reached and brought under coverage, and through sustained academic promotion in the medical profession. The current market penetration rates of the Group's core products are still relatively low, promising significant growth potentials in the future.

The Group has consistently pursued innovation and technology excellence. Its rich pipeline now includes 32 candidates, with 22 candidates being developed as National New Drugs (including registration Class I and Biologics Class II). The Group will continue to focus its resources on core therapeutical areas including oncology, autoimmune diseases, and nephrology. The Group focuses on researching and developing next generation bio-therapeutics, including programmed CAR-T cell therapeutics, immune checkpoint inhibitors, MCMs, bi-specific antibodies and other innovative antibody molecules, antibodies to novel targets, and various combination therapies based on the Group's comprehensive antibody pipeline. The Group will continue to build up its in-house clinical development capacity and advance its integrative research capability on a highly focused basis.

The Group will continue to build up a comprehensive quality management system and voluntarily adheres to global quality standards. The Group has a proven track record of efficacy and safety profile of its products and the Group's manufacturing facilities have passed numerous inspections conducted by the NMPA and local authorities in the past years. With the Group's approximately 38,000-liter capacity mAb facility, as well as its mammalian cell-based, bacteria cell-based and small molecule manufacturing facilities and over 27 years of experience in the biological medicine manufacturing field, the Group is able to manufacture high quality pharmaceutical products with scalable manufacturing capacity at competitive cost.

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 companies such as AstraZeneca, Lilly, Toray, Samsung Bioepis, Refuge Biotechnologies, Verseau, TLC, Numab, GenSight, Sensorion and INV affirm the Group as a partner of choice to leading pharmaceutical companies around the world, and will serve as stepstones for future strategic collaborations. The Group is growing its international sales through registration of existing products in new countries and development of new products in highly regulated markets.

The outbreak of COVID-19 pandemic in early 2020 has confronted businesses with unfathomable uncertainties, risks and challenges. In the first quarter of 2020, work resumption was delayed, transportation was affected, and flow of goods and people was restricted, all of which impacted on the Group's operations. While fully cognizant of and calling attention to the uncertainties, the Group holds cautious confidence that, due to the fact the Group's products are providing care to patients with inelastic medical needs, stable growth may be sustained throughout the year.

Financial Review

Revenue

For the year ended 31 December 2019, the Group's revenue amounted to approximately RMB5,318.1 million, as compared to approximately RMB4,583.9 million for the year ended 31 December 2018, representing an increase of approximately RMB734.2 million, or approximately 16.0%. The increase was mainly attributable to the strong sales growth of TPIAO and small molecule therapeutics.

For the year ended 31 December 2019, the Group's sales of TPIAO increased to approximately RMB2,322.9 million, as compared to approximately RMB1,669.5 million for the year ended 31 December 2018, representing an increase of approximately RMB653.4 million, or approximately 39.1%. The increase was 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 year ended 31 December 2019, the sales of TPIAO accounted for approximately 43.5% of the Group's total sales of goods.

For the year ended 31 December 2019, the Group's sales of Yisaipu increased to approximately RMB1,143.6 million, as compared to approximately RMB1,111.4 million for the year ended 31 December 2018, representing an increase of approximately RMB32.2 million, or approximately 2.9%. The limited increase was largely due to the fact that competing products were included in the NRDL in 2019 causing Yisaipu sales to slow down in the fourth quarter of 2019. For the year ended 31 December 2019, the sales of Yisaipu accounted for approximately 21.4% of the Group's total sales of goods.

For the year ended 31 December 2019, the Group's combined sales of EPIAO and SEPO decreased to approximately RMB749.0 million, as compared to approximately RMB896.6 million for the year ended 31 December 2018, representing a decrease of approximately RMB147.6 million, or approximately 16.5%. The decrease was mainly attributable to a decrease in the ex-factory price of EPIAO as the bidding price decreased in 2019 as compared to the same period in 2018. For the year ended 31 December 2019, the Group's sales of SEPO increased to approximately RMB202.8 million, as compared to approximately RMB192.5 million for the year ended 31 December 2018, representing an increase of approximately RMB10.3 million, or approximately 5.3%. For the year ended 31 December 2019, the Group's sales of EPIAO decreased to approximately RMB546.3 million, as compared to approximately RMB704.1 million for the year ended 31 December 2018, representing a decrease of approximately RMB157.8 million, or approximately 22.4%. For the year ended 31 December 2019, the sales of EPIAO and SEPO accounted for a total of approximately 14.0% of the Group's total sales of goods.

For the year ended 31 December 2019, the Group's sales of small molecule therapeutics were approximately RMB527.1 million, as compared to approximately RMB379.0 million for the year ended 2018, representing an increase of approximately RMB148.2 million, or approximately 39.1%. The increase was mainly attributable to the increased sales volume of Sparin and Mandi. For the year ended 31 December 2019, the Group's sales of Mandi increased to approximately RMB250.2 million, as compared to approximately RMB127.2 million for the year ended 31 December 2018, representing an increase of approximately RMB122.9 million, or approximately 96.6%. The increase was mainly attributable to the increased market demand for hair loss and growth treatments, which was driven by the Group's diversified and effective promotional efforts. For the year ended 31 December 2019, the sales of small molecule therapeutics accounted for approximately 9.9% of the Group's total sales.

For the year ended 31 December 2019, the Group's export sales decreased to approximately RMB68.0 million, as compared to approximately RMB84.2 million for the year ended 31 December 2018, representing a decrease of approximately RMB16.2 million, or approximately 19.2%. The decrease was mainly attributable to the decreased export sales of EPIAO.

For the year ended 31 December 2019, the Group's other sales, primarily consisted of sales from in-licensed products and contract manufacturing income from Sirton and other subsidiaries of the Group, increased to approximately RMB531.5 million, as compared to approximately RMB463.7 million for the year ended 31 December 2018, representing an increase of approximately RMB67.8 million, or approximately 14.6%. The increase was primarily attributable to the increased sales of in-licensed products and IV Iron Sucrose.

Cost of Sales

The Group's cost of sales increased from approximately RMB877.3 million for the year ended 31 December 2018 to approximately RMB925.3 million for the year ended 31 December 2019, which accounted for approximately 17.4% of the Group's total revenue for the same period. The increase in the Group's cost of sales was due to the increased sales volume for the year ended 31 December 2019, as compared to the corresponding period in 2018.

Gross Profit

For the year ended 31 December 2019, the Group's gross profit increased to approximately RMB4,392.7 million, as compared to approximately RMB3,706.6 million for the year ended 31 December 2018, representing an increase of approximately RMB686.1 million, or approximately 18.5%. 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 increased to approximately 82.6% for the year ended 31 December 2019 from approximately 80.9% for the corresponding period in 2018. The increase was mainly attributable to the sales growth of TPIAO, which had a higher 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 year ended 31 December 2019, the Group's other income and gains decreased to approximately RMB218.1 million, as compared to approximately RMB429.8 million for the year ended 31 December 2018, representing a decrease of approximately RMB211.7 million, or approximately 49.3%. The decrease was mainly attributable to the decrease in foreign exchange gains as well as non-recurring fair value gain upon reclassification of an equity investment in Ascentage Cayman.

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 year ended 31 December 2019, the Group's selling and distribution expenses amounted to approximately RMB1,950.7 million, as compared to approximately RMB1,691.2 million for the year ended 31 December 2018, representing an increase of approximately RMB259.6 million, or approximately 15.3%. The increase was mainly attributable to the increased promotional activities. In terms of the percentage of revenue, the Group's selling and distribution expenses represented 36.7% for the year ended 31 December 2019 as compared to approximately 36.9% for the year ended 31 December 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 year ended 31 December 2019, the Group's administrative expenses amounted to approximately RMB676.0 million, as compared to approximately RMB316.8 million for the year ended 31 December 2018, representing an increase of approximately RMB359.3 million, or approximately 113.4%. The increase was mainly due to the one-off expenses of RMB346.1 million incurred in 2019 in relation to the option expenses associated with the options granted on 2 February 2017 and the expenses associated with the awarded shares under the ESOP by Sunshine Guojian. Had the effects of the one-off expenses been excluded, the administrative expenses for the year ended 31 December 2019 would have been approximately RMB329.9 million, as compared to approximately RMB299.3 million for the year ended 31 December 2018, representing an increase of approximately RMB30.6 million, or approximately 10.2%. The administrative expenses (excluding the aforementioned one-off expenses) as a percentage of revenue was approximately 6.2% for the year ended 31 December 2019, as compared to approximately 6.5% for the corresponding period in 2018.

R&D costs

The Group's R&D costs primarily consisted of staff costs, materials consumption, clinical trials costs, R&D expenses for new products at early stage, depreciation and amortisation, and other miscellaneous R&D expenses. For the year ended 31 December 2019, the Group's R&D costs amounted to approximately RMB526.6 million, as compared to approximately RMB362.7 million for the year ended 31 December 2018, representing an increase of approximately RMB163.9 million, or approximately 45.2%. The increase was mainly due to the increased investments in R&D activities and projects, which was in turn driven by the accelerated progress of the Group's product pipeline. The R&D costs as a percentage of revenue was approximately 9.9% for the year ended 31 December 2019, as compared to approximately 7.9% for the corresponding period in 2018.

Other Expenses

The Group's other expenses primarily consisted of donation expenses, provision for impairment of financial assets, and other miscellaneous expenses and losses. For the year ended 31 December 2019, the Group's other expenses amounted to approximately RMB114.0 million, as compared to approximately RMB123.7 million for the year ended 31 December 2018, representing a decrease of approximately RMB9.6 million, or approximately 7.8%. The decrease was mainly due to the decreased provision for impairment of financial assets, which was partially offset by the increased donation expenses in relation to the Group's products.

Finance Costs

For the year ended 31 December 2019, the Group's finance costs amounted to approximately RMB109.5 million, as compared to approximately RMB138.4 million for the year ended 31 December 2018, representing a decrease of approximately RMB28.9 million, or approximately 20.9%. The decrease was mainly due to the decrease in interest expenses with the repayment of bank borrowings. Excluding the non-cash interest expenses of the Bonds, the finance cost decreased from approximately RMB65.6 million for the year ended 31 December 2018 to approximately RMB37.0 million for the year ended 31 December 2019, representing a decrease of approximately RMB28.7 million, or approximately 43.7%.

Income Tax Expense

For the year ended 31 December 2019, the Group's income tax expense amounted to approximately RMB242.8 million, as compared to approximately RMB218.3 million for the year ended 31 December 2018, representing an increase of approximately RMB24.5 million, or approximately 11.2%. The increase was mainly due to the increase of taxable income during the year ended 31 December 2019, as compared to the corresponding period in 2018. The effective tax rates for the year ended 31 December 2019 and the corresponding period in 2018 were 19.9% and 14.6%, respectively. The increase in the effective tax rate was mainly attributable to the increase in offshore losses for the year ended 31 December 2019, as compared to the year ended 31 December 2018.

EBITDA and Net Profit Attributable to Owners of the Parent

The EBITDA for the year ended 31 December 2019 decreased by approximately RMB306.4 million or approximately 16.2% to approximately RMB1,586.4 million, as compared to approximately RMB1,892.8 million for the year ended 31 December 2018. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expense incurred in relation to the Bonds in an aggregate principal amount of EUR300,000,000 due 2022; (b) the option expenses associated with the options granted on 2 February 2017; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; and (d) the fair value gain upon reclassification of an equity investment in Ascentage Cayman. The Group's normalized EBITDA for the year ended 31 December 2019 increased by approximately RMB223.2 million or approximately 12.5% to approximately RMB2,005.0 million, as compared to approximately RMB1,781.8 million for the year ended 31 December 2018.

The net profit attributable to owners of the parent for the year ended 31 December 2019 was approximately RMB973.7 million, as compared to approximately RMB1,277.2 million for the year ended 31 December 2018, representing a decrease of approximately RMB303.5 million, or approximately 23.8%. The normalized net profit attributable to owners of the parent is defined as the profit attributable to owners of the parent for the period excluding, as applicable: (a) the interest expense incurred in relation to the Bonds in an aggregate principal amount of EUR300,000,000 due 2022; (b) the option expenses associated with options granted on 2 February 2017; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; and (d) the fair value gain upon reclassification of an equity investment in Ascentage Cayman. The Group's normalized net profit attributable to owners of the parent for the year ended 31 December 2019 was approximately RMB1,392.3 million, as compared to approximately RMB1,166.1 million for the year ended 31 December 2018, representing an increase of approximately RMB226.2 million, or approximately 19.4%.

Earnings Per Share

The basic earnings per share for the year ended 31 December 2019 was approximately RMB0.38 as compared to approximately RMB0.50 for the year ended 31 December 2018, representing a decrease of approximately 24.0%. The calculation of the normalized basic earnings per share amount is based on the normalized net profit attributable to owners of the parent and the weighted average 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 normalized basic earnings per share for the year ended 31 December 2019 was approximately RMB0.55, as compared to approximately RMB0.46 for the year ended 31 December 2018, representing an increase of approximately 19.6%.

Financial Assets Measured at Fair Value

As at 31 December 2019, financial assets measured at fair value primarily comprised the investment in treasury or cash management products issued by certain banks, the investment in listed companies and the investments in private equity funds which focus on the healthcare industry.

Liquidity, Financial and Capital Resources

The Group's liquidity remained strong. For the year ended 31 December 2019, the Group's operating activities generated a net cash inflow of approximately RMB1,887.4 million, as compared to approximately RMB1,150.3 million for the year ended 31 December 2018, representing an increase of RMB737.1 million or approximately 64.1%. The increase was mainly attributable to the increased cash inflow from the sale of goods. As at 31 December 2019, the Group's cash and cash equivalents and pledged deposits were approximately RMB2,104.9 million.

Net Current Assets

As at 31 December 2019, the Group had net current assets of approximately RMB2,984.5 million, as compared to net current assets of approximately RMB2,782.0 million as at 31 December 2018. The current ratio of the Group increased from approximately 2.7 as at 31 December 2018 to approximately 2.9 as at 31 December 2019.

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 a prudent funding and treasury policy.

As at 31 December 2019, the Group had an aggregate interest-bearing bank borrowings of approximately RMB497.2 million, as compared to approximately RMB995.4 million as at 31 December 2018. The decrease in bank borrowings primarily reflected the repayment of loans of RMB1,740.5 million, which was partially offset by the additional short-term bank loans of RMB1,230.0 million obtained in 2019. 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 31 December 2019.

As at 31 December 2019, the Group had convertible bonds outstanding of approximately RMB2,304.8 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 4.8% as at 31 December 2019 from approximately 11.2% as at 31 December 2018. The decrease was primarily due to repayment of loans.

Contingent Liabilities

As at 31 December 2019, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB1,822.0 million as at 31 December 2019, as compared to approximately RMB952.8 million as at 31 December 2018. The increase was due to an increase in capital expenditures for plant and machinery, which was driven by the expansion of the Group's production capabilities.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in Mainland 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 RMB68.0 million, or approximately 1.3% of the Group's revenue, for the year ended 31 December 2019. 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 31 December 2019, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD44.6 million (equivalent to approximately RMB311.0 million); (2) approximately HKD95.3 million (equivalent to approximately RMB85.4 million); and (3) approximately EUR15.8 million (equivalent to approximately RMB123.6 million). 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 year ended 31 December 2019, the Group did not have any significant investments.

Future Plans for Material Investments or Capital Assets

The Group estimates that the total capital expenditure of the Group for the next three years will be in the range of RMB2,000 million to RMB2,500 million. 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 31 December 2019, the Group employed a total of 5,404 employees, as compared to a total of 5,047 employees as at 31 December 2018. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB1,436.6 million for the year ended 31 December 2019, as compared to approximately RMB1,000.7 million for the corresponding period in 2018. 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 a share award scheme and other incentive initiatives such as cash awards for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

FINAL DIVIDEND

The Board does not recommend any dividend for the year ended 31 December 2019.

CLOSURE OF REGISTER OF SHAREHOLDERS

The annual general meeting of the Company is scheduled to be held on 19 June 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of shareholders of the Company will be closed from 16 June 2020 to 19 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 15 June 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 year ended 31 December 2019.

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 have complied with the required standard as set out in the Model Code during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, the Company had repurchased a total of 5,000,000 ordinary shares of the Company on the Stock Exchange at an aggregate cash consideration of HKD45,348,633.90 (including expenses). Subsequently, on 27 and 28 February 2020, the Company further repurchased a total of 1,493,500 ordinary shares of the Company on the Stock Exchange at an aggregate cash consideration of HKD12,505,955 (excluding expenses of HKD28,663.45). All the shares repurchased by the Company during the year ended 31 December 2019 and on 27 and 28 February 2020 have been cancelled by the Company by the date of this announcement. Save as the aforesaid repurchases of shares, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2019 and for the period thereafter up to the date of this announcement.

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), Dr. WONG Lap Yan and Mr. HUANG Bin.

The Audit Committee has, together with the Board, reviewed and approved the accounting standards and practices adopted by the Group and the annual results for the year ended 31 December 2019. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company and considers them to be effective and adequate.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the preliminary results announcement of the Group for the year ended 31 December 2019 have been agreed to by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. 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 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 preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

The Company's 2019 annual 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
30 March 2020

As at the date of this announcement, the Board comprises Dr. LOU Jing and Ms. SU Dongmei as executive directors; Mr. HUANG Bin and Mr. TANG Ke as non-executive directors; and Mr. PU Tianruo, Mr. David Ross PARKINSON and Dr. WONG Lap Yan as independent non-executive directors.