三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Codes: 5241 and 40285)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue increased by RMB52.2 million or 2.0% to RMB2,695.2 million, as compared to the six months ended 30 June 2019.
- Gross profit increased by RMB32.6 million or 1.5% to RMB2,217.1 million, as compared to the six months ended 30 June 2019. The gross profit margin decreased to 82.3% from 82.7% for the six months ended 30 June 2019.
- Net profit attributable to owners of the parent increased by RMB381.2 million or 118.6% to RMB702.5 million, as compared to the six months ended 30 June 2019. Normalized net profit attributable to owners of the parent[2] decreased by RMB2.9 million or 0.4% to RMB749.0 million, as compared to the six months ended 30 June 2019.
- EBITDA increased by RMB415.2 million or 70.7% to RMB1,002.9 million, as compared to the six months ended 30 June 2019. Normalized EBITDA[1] increased by RMB31.2 million or 3.1% to RMB1,049.4 million, as compared to the six months ended 30 June 2019.

* All numbers in the "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 expenses incurred in relation to the issuance of the Euro-denominated zero-coupon convertible bonds in an aggregate principal amount of EUR300,000,000 due 2022 (the "**2022 Bonds**"); (b) the expenses associated with the share options and share award of 3SBio Inc. ("**3SBio**" or the "**Company**"); (c) the expenses associated with the awarded shares under an employee share ownership plan (the "**ESOP**") by an indirect non-wholly owned subsidiary of the Company, Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. ("**Sunshine Guojian**"); and (d) the expenses in relation to the acquisition of in-progress research and development projects.

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

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of 3SBio is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	**2020 (Unaudited) *RMB'000***	2019 (Unaudited) *RMB'000*
REVENUE	*3*	**2,695,177**	2,642,932
Cost of sales		**(478,097)**	(458,410)
Gross profit		**2,217,080**	2,184,522
Other income and gains	*4*	**96,756**	68,147
Selling and distribution expenses		**(972,266)**	(999,019)
Administrative expenses		**(148,788)**	(481,022)
Research and development costs		**(254,348)**	(263,891)
Other expenses		**(58,279)**	(54,716)
Finance costs	*6*	**(43,624)**	(48,153)
Share of profits and losses of:			
A joint venture		**138**	3,189
Associates		**(18,093)**	(2,472)
PROFIT BEFORE TAX	*5*	**818,576**	406,585
Income tax expense	*7*	**(132,829)**	(95,384)
PROFIT FOR THE PERIOD		**685,747**	311,201
Attributable to:			
Owners of the parent		**702,482**	321,294
Non-controlling interests		**(16,735)**	(10,093)
		685,747	311,201
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	*9*	**RMB0.28**	RMB0.13
— Diluted	*9*	**RMB0.27**	RMB0.13

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 (Unaudited) *RMB'000*	2019 (Unaudited) *RMB'000*
PROFIT FOR THE PERIOD	**685,747**	311,201
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	**40,214**	2,072
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**40,214**	2,072
Other comprehensive 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	**219,591**	(23,948)
Income tax effect	**(4,197)**	3,660
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**215,394**	(20,288)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**255,608**	(18,216)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**941,355**	292,985
Attributable to:		
Owners of the parent	**958,090**	303,078
Non-controlling interests	**(16,735)**	(10,093)
	941,355	292,985

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,098,860**	1,988,793
Right-of-use assets		**356,252**	335,936
Goodwill		**4,197,849**	4,145,896
Other intangible assets		**2,118,726**	2,165,139
Investment in a joint venture		**7,608**	7,470
Investments in associates		**580,047**	593,414
Equity investments designated at fair value through other comprehensive income		**929,664**	676,989
Long-term receivables		**3,576**	6,555
Prepayments, other receivables and other assets		**286,568**	163,909
Deferred tax assets		**152,526**	129,024
Total non-current assets		**10,731,676**	10,213,125
CURRENT ASSETS			
Inventories		**569,884**	528,473
Trade and notes receivables	*11*	**1,182,394**	1,018,265
Prepayments, other receivables and other assets		**504,847**	472,360
Financial assets at fair value through profit or loss		**799,321**	472,163
Pledged deposits	*12*	**22,204**	22,073
Cash and cash equivalents	*12*	**3,793,107**	2,082,847
Total current assets		**6,871,757**	4,596,181
CURRENT LIABILITIES			
Trade and bills payables	*13*	**166,198**	149,763
Other payables and accruals		**878,808**	913,990
Deferred income		**37,121**	37,217
Interest-bearing bank and other borrowings	*14*	**460,000**	483,957
Lease liabilities		**7,458**	5,467
Tax payable		**101,765**	21,335
Total current liabilities		**1,651,350**	1,611,729
NET CURRENT ASSETS		**5,220,407**	2,984,452
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,952,083**	13,197,577

	Notes	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**13,534**	13,286
Lease liabilities		**27,110**	3,964
Convertible bonds		**3,906,850**	2,304,750
Deferred income		**230,311**	242,314
Deferred tax liabilities		**274,327**	268,077
Other non-current liabilities		**5,793**	5,867
Total non-current liabilities		**4,457,925**	2,838,258
Net assets		**11,494,158**	10,359,319
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**155**	155
Share premium		**4,297,033**	4,307,795
Other reserves		**6,379,427**	5,317,091
		10,676,615	9,625,041
Non-controlling interests		**817,543**	734,278
Total equity		**11,494,158**	10,359,319

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2020, the Group was principally engaged in the development, production, marketing and sale of biopharmaceutical products in the mainland area ("**Mainland China**") of the People's Republic of China (the "**PRC**").

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendment did not have any impact on the financial position and performance of the Group as no monthly lease payments have been reduced or waived by the lessors as a result of the covid-19 pandemic.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of biopharmaceuticals	**2,694,353**	2,625,040
Technical services	**824**	17,892
	2,695,177	2,642,932

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of biopharmaceuticals	**2,694,353**	2,625,040
Technical services	**824**	17,892
Total revenue from contracts with customers	**2,695,177**	2,642,932
Geographical markets		
Mainland China	**2,623,503**	2,575,205
Others	**71,674**	67,727
Total revenue from contracts with customers	**2,695,177**	2,642,932
Timing of revenue recognition		
Goods transferred at a point in time	**2,694,353**	2,625,040
Services transferred over time	**824**	17,892
Total revenue from contracts with customers	**2,695,177**	2,642,932

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income	**36,795**	32,866
Government grants related to		
— Assets	**15,805**	14,685
— Income	**26,555**	14,529
Others	**9,719**	1,936
	88,874	64,016
Gains		
Foreign exchange differences, net	**4,792**	4,131
Gain on deemed disposal of an associate	**625**	—
Gain on repurchase of convertible bonds	**2,465**	—
	7,882	4,131
	96,756	68,147

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**478,097**	458,410
Depreciation of items of property, plant and equipment	**92,664**	89,430
Amortisation of other intangible assets	**74,305**	68,483
Depreciation of right-of-use assets	**7,556**	6,162
Amortisation of long-term deferred expenses	**2,976**	1,721
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**501,881**	515,317
Equity-settled compensation expenses	**10,253**	340,511
Pension scheme contributions	**15,396**	37,972
Social welfare and other costs	**42,984**	40,164
	570,514	933,964
Other expenses and losses:		
Donation	**46,313**	17,325
Loss on disposal of items of property, plant and equipment	**2,452**	693
Provision for impairment of long-term receivables	**3,459**	25,311
Provision/(reversal of provision) for impairment of trade receivables	**3,389**	(12,190)
Provision for impairment of other receivables	**1,352**	22,347
Others	**1,314**	1,230
	58,279	54,716

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**7,059**	12,079
Interest on convertible bonds	**36,289**	35,830
Interest on lease liabilities	**276**	244
	43,624	48,153

7. INCOME TAX

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

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

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2020 as the Group had no assessable profits arising in Hong Kong.

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

Shenyang Sunshine, Sunshine Guojian, NERC, Sciprogen and Zhejiang Wansheng, which are qualified as High and New Technology Enterprises, were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2020.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. However, 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:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current	**154,279**	138,636
Deferred	**(21,450)**	(43,252)
Total tax charge for the period	**132,829**	95,384

8. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Proposed and declared dividend	**—**	—

No dividends were declared or paid by the Company during the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2020 attributable to ordinary equity holders of the parent of RMB702,482,000 (for the six months ended 30 June 2019: RMB321,294,000) and the weighted average of 2,538,953,324 (for the six months ended 30 June 2019: 2,534,175,711) ordinary shares of the Company in issue during the reporting period, as adjusted to reflect the issue of ordinary shares during the reporting period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**702,482**	321,294
Interest on convertible bonds	**36,289**	—
Gain on repurchase of convertible bonds	**(2,465)**	—
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**736,306**	321,294

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period	**2,538,953,324**	2,534,175,711
Effect of dilution — weighted average number of ordinary shares:		
Share options	**4,375,294**	2,040,029
Convertible bonds	**188,083,823**	—
	2,731,412,441	2,536,215,740

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount at 1 January	**1,988,793**	1,791,961
Additions	**203,688**	388,055
Depreciation provided during the period/year	**(92,664)**	(185,608)
Disposals	**(2,634)**	(5,410)
Exchange realignment	**1,677**	(205)
Carrying amount at 30 June/31 December	**2,098,860**	1,988,793

Freehold land with a carrying amount of approximately RMB4,054,000 as at 30 June 2020 (31 December 2019: RMB3,980,000) is located in Italy.

The Group was in the process of applying for the title certificates of certain of its buildings with an aggregate book value of approximately RMB63,668,000 as at 30 June 2020 (31 December 2019: RMB65,472,000). The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2020.

At 30 June 2020, certain of the Group's land and buildings, which had an aggregate carrying amount of approximately RMB2,784,000 (31 December 2019: RMB2,733,000) and RMB14,151,000 (31 December 2019: RMB14,443,000) respectively, were pledged to secure general banking facilities granted to the Group (note 14).

11. TRADE AND NOTES RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,198,829**	982,331
Notes receivables	**38,508**	87,485
	1,237,337	1,069,816
Provision for impairment of trade receivables	**(54,943)**	(51,551)
	1,182,394	1,018,265

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:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**1,152,830**	933,026
1 to 2 years	**9,268**	14,981
Over 2 years	**36,731**	34,324
	1,198,829	982,331

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and bank balances	**3,792,401**	2,082,142
Restricted cash	**706**	705
Pledged deposits	**22,204**	22,073
	3,815,311	2,104,920
Less:		
Pledged deposits for letters of credit	**(14,655)**	(10,000)
Pledged deposits for bank acceptance bills	**(7,549)**	(12,073)
Cash and cash equivalents	**3,793,107**	2,082,847

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale 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 30 June 2020 are denominated in the following currencies:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Denominated in:		
— RMB	**1,493,430**	1,585,014
— Hong Kong Dollar ("**HKD**")	**21,245**	85,380
— United States Dollar ("**USD**")	**399,254**	310,954
— Euro ("**EUR**")	**1,901,380**	123,570
— Great Britain Pound	**2**	2
	3,815,311	2,104,920

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 RMB22,204,000 (31 December 2019: RMB22,073,000) have been pledged to secure letters of credit and bank acceptance bills as at 30 June 2020.

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:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**149,373**	131,436
3 to 6 months	**13,827**	14,790
Over 6 months	**2,998**	3,537
	166,198	149,763

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Bank loans — unsecured	**460,000**	—
Bank loans — secured	**—**	483,957
	460,000	483,957
Non-current		
Other secured bank loans	**13,534**	13,286
Convertible bonds	**3,906,850**	2,304,750
	3,920,384	2,318,036
Total	**4,380,384**	2,801,993

	30 June 2020 *RMB'000* (Unaudited)	31 December 2019 *RMB'000* (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**460,000**	483,957
In the second year	**—**	—
In the third to fifth years, inclusive	**13,534**	13,286
	473,534	497,243

Notes:

(a) For the six months ended 30 June 2020, the bank borrowings bore interest at fixed interest rates ranging from 3.15% to 3.30% (31 December 2019: 1.00% to 4.65%) per annum.

(b) The bank borrowings were 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 RMB2,784,000 (31 December 2019: RMB2,733,000) and RMB14,151,000 (31 December 2019: RMB14,443,000), respectively.

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

15. SHARE CAPITAL

Shares	30 June 2020 *RMB'000* (Unaudited)	31 December 2019 *RMB'000* (Audited)
Issued and fully paid:		
2,538,526,132 (31 December 2019: 2,535,048,051) ordinary shares	**155**	155

A summary of movements in the Company's issued share capital for the six months ended 30 June 2020 is as follows:

	Number of shares in issue	**Share capital** ***RMB'000*** **(Unaudited)**	**Share premium** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Ordinary shares of USD0.00001 each at 31 December 2019 and 1 January 2020	2,535,048,051	155	4,307,795	4,307,950
Shares issued upon exercise of share options	45,500	—	461	461
Shares cancelled	(1,493,500)	—	(11,223)	(11,223)
Shares issued as new share award	4,926,081	—	—	—
Ordinary shares of USD0.00001 each at 30 June 2020	2,538,526,132	155	4,297,033	4,297,188

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Key Events

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 was 72.8% in the first half of 2020. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a continuing dominant share in the Mainland China TNF α market of 54.5% in the first half of 2020. 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 rhEPO market share of 41.2% in the first half of 2020. The Group has been expanding its therapeutic coverage by adding products through internal research and development ("**R&D**") and various external strategic partnerships.

Repurchases and Redemption of Existing 2022 Bonds

With respect to the repurchases and redemption of the 2022 Bonds issued by Strategic International Group Limited ("**Strategic International**") and guaranteed by the Company, the following actions were undertaken:

April 2020 Repurchase

On 16 April 2020, the Company repurchased an aggregate principal amount of EUR5,000,000 in face value of the 2022 Bonds through over-the-counter market in accordance with the terms and conditions of the 2022 Bonds. The aggregate purchase price paid for this repurchase was EUR5,255,000 (including agent fee). Immediately thereafter, there were outstanding 2022 Bonds in the principal amount of EUR295,000,000.

Concurrent Repurchase

Strategic International carried out repurchases of the 2022 Bonds concurrently with the issuance of the Euro-denominated zero-coupon convertible bonds in an aggregate principal amount of EUR320,000,000 due 2025 (the "**2025 Bonds**") (the "**Concurrent Repurchase**"). Strategic International repurchased the 2022 Bonds in the aggregate principal amount of EUR104,459,000 in the Concurrent Repurchase. The repurchase price under the Concurrent Repurchase was EUR107,738.32 per EUR100,000 principal amount of the 2022 Bonds. Immediately thereafter, the aggregate principal amount of the 2022 Bonds that remained outstanding became EUR190,541,000.

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

Exercise of Put Option by Bondholders

Pursuant to the terms and conditions of the 2022 Bonds, the holder(s) of the 2022 Bonds have the right to require Strategic International to redeem all or some of the 2022 Bonds of such holder(s) on 21 July 2020 by depositing a duly completed and signed notice of redemption (the "**Optional Put Exercise Notice**") no later than 21 June 2020. As at 21 June 2020, Strategic International had received Optional Put Exercise Notices in respect of EUR143,561,000 in aggregate principal amount of the 2022 Bonds (the "**Put Bonds**"). The Put Bonds have been redeemed by Strategic International on 21 July 2020.

Following the redemption and cancellation of the Put Bonds, there were 2022 Bonds in the principal amount of EUR850,000 outstanding.

Exercise of Clean-Up Call Option

Pursuant to the terms and conditions of the 2022 Bonds, Strategic International has the right to redeem all and not some of the 2022 Bonds upon notice if less than EUR30,000,000 principal amount of the 2022 Bonds (i.e. 10% of the principal amount of the 2022 Bonds originally issued) remain outstanding. Strategic International has given notice to exercise such right to redeem all of the outstanding 2022 Bonds in the principal amount of EUR850,000. All outstanding 2022 Bonds will be redeemed on 27 August 2020.

For more information regarding the repurchases and redemption of the existing 2022 Bonds, please refer to the announcements of the Company dated 20 April 2020, 17 June 2020, 18 June 2020 and 29 June 2020.

New 2025 Bonds Issue

As announced on 29 June 2020, Strategic International successfully completed the issuance of the 2025 Bonds, which was guaranteed by the Company, to institutional investors. The listing of, and permission to deal in, the 2025 Bonds on the Hong Kong Stock Exchange became effective on 30 June 2020.

As announced on 17 June 2020, the initial Conversion Price[2] of the 2025 Bonds is HK$13.1750 per Conversion Share[3], which represents (i) a premium of approximately 25% over the closing price of HK$10.54 per Share[4] as quoted on the Hong Kong Stock Exchange on 17 June 2020 (being the trading day on which the subscription agreement for the 2025 Bonds was entered into) and (ii) a premium of approximately 31.72% over the average closing price of approximately HK$10.0020 per Share as quoted on the Hong Kong Stock Exchange for the five consecutive trading days up to and including 17 June 2020.

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2 "**Conversion Price**" refers to the price per Conversion Share (as defined in footnote 3), subject to adjustments, at which the 2025 Bonds may be converted into the Conversion Shares.

3 "**Conversion Share(s)**" refer to the Share(s) (as defined in footnote 4) to be issued by the Company upon conversion of the 2025 Bonds pursuant to the trust deed and the terms and conditions that govern the 2025 Bonds.

4 "**Share(s)**" refer to ordinary share(s) in the share capital of the Company with a par value of US$0.00001 each.

Assuming full conversion of the 2025 Bonds at the initial Conversion Price of HK$13.1750 per Conversion Share and there being no further issue of Shares, the 2025 Bonds will be convertible into approximately 212,035,521 Shares, representing approximately 8.35% of the issued share capital of the Company as at the date of this announcement and approximately 7.71% of the issued share capital of the Company as at the date of this announcement as enlarged by the issue of the Conversion Shares.

The net proceeds from the issuance of the 2025 Bonds (after deduction of commissions and other related expenses) are approximately EUR316,800,000. Such net proceeds were used to pay for the Concurrent Repurchase and the redemption of the Put Bonds, and would be used to pay for the redemption of the 2022 Bonds pursuant to the exercise of clean-up call option.

The successful issue of the 2025 Bonds signifies the business and financial performance of the Company being recognized by the international capital market, which will improve the liquidity position of the Group, reduce the financing costs of the Group and raise further working capital for the Company to facilitate the overall development and expansion of the Group.

For more information regarding the issuance of the 2025 Bonds, please refer to the announcements of the Company dated 17 June 2020, 18 June 2020 and 29 June 2020.

Key Events after the Reporting Period

Spin-Off And Separate Listing of Sunshine Guojian

The listing of and dealings in the ordinary shares of Sunshine Guojian on the Science and Technology Innovation Board (the "**STAR Market**") of the Shanghai Stock Exchange (the "**SSE**") commenced on 22 July 2020, and Sunshine Guojian issued a total of 61,621,142 shares for subscription on the STAR Market (the "**Offering**"), representing approximately 10% of its total issued shares immediately prior to the Offering. As a result of the spin-off listing and the Offering, the Company's percentage of ownership in Sunshine Guojian was reduced from approximately 89.96% to approximately 80.96%, and Sunshine Guojian remains as a subsidiary of the Company.

Pursuant to the Offering, the offer price was RMB28.18 per share, which was determined with references to the historical financial performance and business prospects of Sunshine Guojian, its market-leading position and the prevailing market conditions of the STAR Market. Sunshine Guojian received total proceeds of RMB1,736,483,781.56 from the Offering. Such proceeds are expected to fund the principal business activities of Sunshine Guojian and its general working capital, as well as to pay for expenses of the Offering.

For more information regarding the listing of Sunshine Guojian, please refer to the announcements of the Company dated 31 October 2019, 24 June 2020, 9 July 2020 and 22 July 2020, as well as the Company's annual report dated 29 April 2020 under the heading "Proposed Spin-off of Sunshine Guojian".

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 PRC National Medical Products Administration ("**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 on the 2019 National Reimbursement Drug List ("**NRDL**") as a Class B Drug ("Western Medicine" Section No. 234) for the treatment of severe CIT in patients with solid tumors or ITP. According to "Chinese Expert Consensus on Prevention and Treatment of CIT in Malignant Lymphoma"[5], rhTPO is one of the treatments for lymphoma CIT. According to "The Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in China"[6], rhTPO is the first choice recommendation for boosting platelet production. According to "The Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in Adult Critical Illness in China"[7], TPO can be used to treat myelosuppressive thrombocytopenia. In "Consensus on the Clinical Diagnosis, Treatment, and Prevention of Chemotherapy-Induced Thrombocytopenia in China (2019 version)"[8], rhTPO 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 CSCO Guidelines — Soft Tissue Sarcoma (2019)", rhTPO is a primary treatment strategy for thrombocytopenia accompanying treating soft tissue sarcoma. rhTPO has also received similar professional endorsements in several national guidelines and experts consensus on treating certain other diseases in Mainland China, including conventional osteosarcoma and certain 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 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 13% of the hospitals covered by the Group's sales team. In the first half of 2020, its market share for the treatment of thrombocytopenia in Mainland China, in terms of sales volume, was 25.5%; and, in terms of sales value, was 72.8%. 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.

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5 Issued by Anti-Lymphoma Alliance of Chinese Society of Clinical Oncology ("**CSCO**") and Anti-Leukemia Alliance of CSCO in 2020

6 Issued by Chinese Society of Internal Medicine, Chinese Medical Association in July 2020

7 Issued by Critical Care Medicine Committee of Chinese PLA and Chinese Society of Laboratory Medicine, Chinese Medical Association in 2020

8 Issued by the Society of Chemotherapy and Committee of Neoplastic Supportive-Care (CONS), both being subordinate units under China Anti-Cancer Association

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 "**China RA Guidance**"), an authoritative document issued by the China Medical Association. Yisaipu was adopted in the China RA Guidance under 'TNF α inhibitors' as one of the RA treatment options, and this China RA 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 is the first-to-market etanercept product in Mainland China, with a dominant TNF α market share in Mainland China of 54.5% in the first half of 2020. The sales coverage of Yisaipu extended to more than 3,000 hospitals in Mainland China, including over 1,500 Grade III hospitals in the first half of 2020. 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 12% 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. 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 Colombia, Thailand, the Philippines, and Pakistan.

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 premier 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. 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 has initiated patient enrollment in phase II clinical trials of RD001, a pegylated long-acting rhEPO to treat anemia. Outside of Mainland China, EPIAO has been approved in 22 countries, including Ukraine,

Thailand and Pakistan. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand have made good progress, and patient recruitment were completed by the end of 2019. The trial is expected to complete in 2021.

Cipterbin® (Inetetamab) is the first innovative anti-HER2 monoclonal antibody in China with the engineered Fc region, optimized production process and a stronger antibody-dependent cell-mediated cytotoxicity ("**ADCC**") effect. It is approved by the NMPA on 19 June 2020 for the treatment of HER2-positive metastatic breast cancer combining with chemotherapy, as proved to be capable of delaying the disease progression for and bringing survival benefits to HER2-positive metastatic breast cancer patients. Sunshine Guojian independently developed this product based on its proprietary technology platform.

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), 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.

Mandi (蔓迪), generically known as minoxidil tincture, was launched in 2002 as the first over-the-counter (OTC) drug in Mainland China for male pattern alopecia and alopecia areata ("**AA**"). In "Guideline for Diagnosis and Treatment of Androgenetic Alopecia" (issued by Chinese Medical Doctor Association), minoxidil is the only recommended topical drug for androgenetic alopecia. In "Guideline for diagnosis and treatment of AA (2019)" (issued by Chinese Medical Association), minoxidil is one of topical treatments for AA. The Group has started a phase III clinical trial of minoxidil foam form, which is expected to be completed in 2021. If approved, Mandi will likely be the only minoxidil foam in the Mainland China market.

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-TNF α antibody to treat RA and other inflammatory diseases), pegsiticase (a modified pegylated recombinant uricase from candida utilis to treat refractory gout), 601A (an anti-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), 610 (an anti-IL-5 antibody to treat severe asthma), and 611 (an anti-IL4Ra antibody to treat atopic dermatitis). On the small molecule side, the Group is conducting 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.

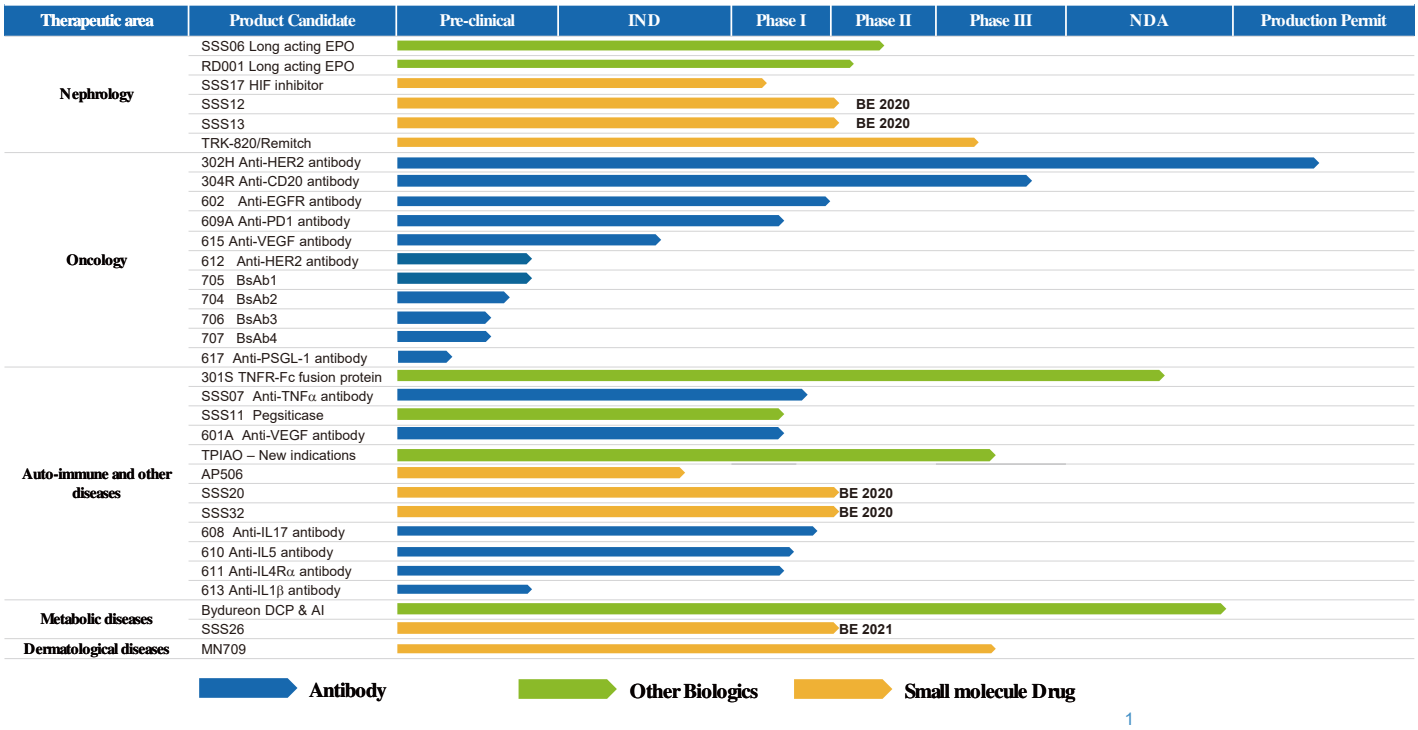
The Group's R&D team consisting of over 420 experienced scientists is working diligently to research and discover new medicines, to accelerate the progress of clinical development, and to bring breakthrough therapies to fulfill the unmet medical needs of patients.

Product Pipeline

As at 30 June 2020, amongst the 32 product candidates within the Group's active pipeline, 22 were being developed as National New Drugs 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

32 product candidates, with 22 developed as National New Drugs



Key Product Developments

As announced on 25 February 2020, the Group has received an investigational new drug ("**IND**") approval from the NMPA to conduct clinical trials of an anti-IL-5 antibody (the Company's development code: 610) in patients with severe eosinophilic asthma. Patient enrollment has been initiated.

As announced on 19 June 2020, the anti-HER2 antibody for injection, Inetetamab (commercial name: Cipterbin®/赛普汀®) has been approved by the NMPA for treatment of HER2-positive metastatic breast cancer combining with chemotherapy. Sunshine Guojian independently developed this product based on its proprietary technology platform, and this product is Mainland China's first innovative anti-HER2 monoclonal antibody with engineered Fc region and optimized production process and stronger ADCC effect. Cipterbin® being a project under Mainland China's national 863 Program, and being a National Major Scientific and Technological Special Project for "Significant New Drugs Development" as well as a key Shanghai Municipal Science and Technological Project, its approval is expected to serve the unmet medical need of breast cancer patients in Mainland China, break the monopoly of imported drugs for anti-HER2 monoclonal antibody and enhance the accessibility of national innovative drugs, thereby benefitting more patients in Mainland China.

As announced on 28 June 2020, the humanized monoclonal antibody against IL 4 receptor alpha (IL-4R α) (the Company's development code: 611) independently developed by Sunshine Guojian was approved by the U.S. Food and Drug Administration ("**USFDA**") for clinical trials for the treatment of patients with atopic dermatitis (eczema). 3SBio will conduct its clinical trials in the United States as soon as possible. In addition, the application for its domestic clinical trials has also recently been accepted by 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 has initiated patient enrollment in phase II clinical 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 USFDA.

The Group has completed patient enrollment for the phase I clinical trial of its anti-VEGF antibody (601A) to treat AMD. Patient enrollment for the phase I clinical trial of 601A to treat DME is ongoing smoothly.

The Group has completed healthy volunteer subject enrollment of a phase I trial of the anti-IL-17A antibody (the Company's development code: 608), and is planning for phase II trials in patients with moderate to severe plaque psoriasis and other inflammatory diseases.

The Group has completed patient enrollment in a US phase I trial of its anti-PD1 antibody (Company development code: 609A) in patients with various cancers. Patient enrollment in a phase I trial in China has been initiated. The Group is currently planning for advanced clinical trials for the product.

The Group has completed the part I study of a bridging phase III trial of nalfurafine hydrochloride (TRK-820, known as "REMITCH" as approved in Japan), an in-licensed product from Toray, 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 for the part 2 study is expected to start soon.

The Group has initiated patient enrollment of a phase I clinical trial 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 (HIF α), 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.

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 30 June 2020, the Group's extensive sales and distribution network in Mainland China was supported by approximately 3,378 sales and marketing employees, 668 distributors and 2,124 third-party promoters. As at 30 June 2020, the Group's sales team covered over 2,500 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

In 2020, the reform of the pharmaceutical sector in Mainland China became more comprehensive in all aspects. The reform continues to promote industry integration and reorganization revolving on innovative drugs, and at the same time aims at the quality enhancement of generic drugs. Market competition will be more regulated; the centralized procurement system will become more robust. A further differentiation among innovative pharmaceutical companies will gradually ensue, and pursuing greater sales volumes based on the new price regime will be the necessary choice of all companies. Policies will be more supportive of 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 biopharmaceutical company by leveraging its integrated R&D, production and marketing platforms.

Medical reform policies now confront greater challenges and difficulties. After the introduction of a new series of policies, the domestic pharmaceutical industry is also at the crossroad of a new round of development. Amid the outbreak of the COVID-19 pandemic, the Group has its core products as its moat, and plans to enhance the accessibility of marketed products by further penetrating hospitals that have already been covered by the marketing team of the Group and new hospitals to be covered, and continuously conducting academic promotions for medical experts. The Group will continue to utilize its R&D outputs to create solid production patents and technology barriers, and with the combination of its strong marketing team, the deepening of collaboration

with leading international pharmaceutical companies, and the continued efforts to enhance business structures, all these factors will contribute to the future success of the Group. Under the adjustment of the current medical reform policies, innovative R&D is of high significance, and maintaining a solid performance is also crucial amid the COVID-19 pandemic outbreak. The Group focuses on innovative bio-pharmaceutical drugs within five core areas. By adhering to the principle of "R&D + production + sales + external collaboration", the Group will endeavor a soft landing amidst major impacts, and leverage its structurized competitive advantages so as to achieve stable growth under different metrics, including revenues and profits.

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. 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, macrophage checkpoint modulators, 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 positions itself in innovative drugs, and through strategic development has achieved transformation and ascension to a global leading first-tier pharmaceutical company based in Mainland China. In the first half of the year, the Group screened various projects, and endeavored to extend external strategic partnerships so as to continuously bring in products that have market potential, that are in line with the Group's direction and create synergy with the existing product pipeline. This allows the Group to expand its product portfolio in core therapeutical areas, and to give overall consideration on future globalization strategy. The strategic collaborations with companies such as AstraZeneca, Lilly, Toray, Samsung Bioepis, Refuge Biotechnologies, Verseau, TLC, Numab, GenSight, Sensorion and MPM affirm the Group as a partner of choice to leading pharmaceutical companies around the world, and will serve as stepping stones 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 the COVID-19 pandemic in 2020 has confronted businesses with immeasurable uncertainties, risks and challenges. In the first half of 2020, work resumption was delayed, transportation was affected, and flow of goods and people and hospital visits were highly restricted, all of which impacted the Group's operations. In response, the Group closely monitored and analyzed risks, maintained focus and reduced expenses to maintain strong cash flows for security in the face of the outbreak and sustain stable performance to minimize the impacts. While fully cognizant of and calling attention to the uncertainties, the Group holds cautious confidence that stable growth may be sustained throughout the year.

Financial Review

Revenue

For the six months ended 30 June 2020, the Group's revenue amounted to approximately RMB2,695.2 million, as compared to approximately RMB2,642.9 million for the six months ended 30 June 2019, representing an increase of approximately RMB52.2 million, or approximately 2.0%. The limited increase was mainly due to the outbreak of COVID-19 pandemic in early 2020 which had a negative impact on the sales growth of the Group's products.

For the six months ended 30 June 2020, the Group's sales of TPIAO increased to approximately RMB1,374.7 million, as compared to approximately RMB1,193.6 million for the six months ended 30 June 2019, representing an increase of approximately RMB181.1 million, or approximately 15.2%. The increase was primarily attributable to an increase in sales volume. For the six months ended 30 June 2020, sales of TPIAO accounted for approximately 50.8% of the Group's total sales of goods. Sales of TPIAO was not severely affected by the outbreak of COVID-19 pandemic mainly due to the inelastic nature of the medical need of its target patients.

For the six months ended 30 June 2020, the Group's sales of Yisaipu decreased to approximately RMB331.1 million, as compared to approximately RMB501.0 million for the six months ended 30 June 2019, representing a decrease of approximately RMB169.9 million, or approximately 33.9%. Such decrease was attributable to the intensifying competition in the market and the treatment of RA, a chronic illness, being more susceptible to the impact of COVID-19 pandemic. For the six months ended 30 June 2020, the sales of Yisaipu accounted for approximately 12.2% of the Group's total sales of goods.

For the six months ended 30 June 2020, the Group's sales of EPIAO and SEPO increased to approximately RMB462.1 million, as compared to approximately RMB451.7 million for the six months ended 30 June 2019, representing an increase of approximately RMB10.4 million, or approximately 2.3%. The increase was primarily attributable to an increase in sales volume. For the six months ended 30 June 2020, the Group's sales of EPIAO increased to approximately RMB350.7 million, as compared to approximately RMB336.1 million for the six months ended 30 June 2019, representing an increase of approximately RMB14.7 million, or approximately 4.4%. For the six months ended 30 June 2020, the Group's sales of SEPO decreased to approximately RMB111.4 million, as compared to approximately RMB115.7 million for the six months ended 30 June 2019, representing a decrease of approximately RMB4.3 million, or approximately 3.7%. For the six months ended 30 June 2020, the sales of EPIAO and SEPO accounted for a total of approximately 17.1% of the Group's total sales of goods.

For the six months ended 30 June 2020, the Group's sales of small molecule therapeutics were approximately RMB260.5 million, as compared to approximately RMB252.2 million for the six months ended 30 June 2019, representing an increase of approximately RMB8.3 million, or approximately 3.3%. The increase was mainly attributable to the increased sales volume of Sparin and Mandi. For the six months ended 30 June 2020, the Group's sales of Mandi increased to approximately RMB128.8 million, as compared to approximately RMB107.6 million for the six months ended 30 June 2019, representing an increase of approximately RMB21.2 million, or approximately 19.7%. 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 six months ended 30 June 2020, the sales of small molecule therapeutics accounted for a total of approximately 9.6% of the Group's total sales of goods.

For the six months ended 30 June 2020, the Group's export sales increased to approximately RMB35.9 million, as compared to approximately RMB32.0 million for the six months ended 30 June 2019, representing an increase of approximately RMB3.9 million, or approximately 12.3%. The increase was mainly attributable to the increased export sales of materials for clinical trials to Selecta.

For the six months ended 30 June 2020, the Group's other sales, primarily consisted of sales from license-in products and contract manufacturing income from Sirton, a wholly-owned subsidiary of the Company, and other subsidiaries of the Group, increased to approximately RMB243.1 million, as compared to approximately RMB224.7 million for the six months ended 30 June 2019, representing an increase of approximately RMB18.4 million, or approximately 8.2%. The increase was mainly attributable to the increased sales volume of license-in products and the launch of Cipterbin® in June 2020.

Cost of Sales

The Group's cost of sales increased from approximately RMB458.4 million for the six months ended 30 June 2019 to approximately RMB478.1 million for the six months ended 30 June 2020, which accounted for approximately 17.7% of the Group's total revenue for the same period. The primary reason for the increase in the Group's cost of sales was the increased sales volume for the six months ended 30 June 2020, as compared to the corresponding period in 2019.

Gross Profit

For the six months ended 30 June 2020, the Group's gross profit increased to approximately RMB2,217.1 million, as compared to approximately RMB2,184.5 million for the six months ended 30 June 2019, representing an increase of approximately RMB32.6 million, or approximately 1.5%. The slight increase in the Group's gross profit was broadly in line with its revenue growth during the period. The Group's gross profit margin decreased to approximately 82.3% for the six months ended 30 June 2020 from approximately 82.7% for the corresponding period in 2019. The decrease was mainly due to the increased cost of raw materials for some products and product mix.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income, foreign exchange gain and other miscellaneous income. For the six months ended 30 June 2020, the Group's other income and gains increased to approximately RMB96.8 million, as compared to approximately RMB68.1 million for the six months ended 30 June 2019, representing an increase of approximately RMB28.6 million, or approximately 42.0%. The increase was mainly attributable to the increase in government grants and interest income of treasury or cash management products.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff costs, transportation expenses and other miscellaneous selling and distribution expenses. For the six months ended 30 June 2020, the Group's selling and distribution expenses amounted to approximately RMB972.3 million, as compared to approximately RMB999.0 million for the six months ended 30 June 2019, representing a decrease of approximately RMB26.8 million, or approximately 2.7%. The decrease was mainly attributable to the outbreak of COVID-19 pandemic which had a negative impact on promotional marketing activities, such as travels and academic promotion conferences. In terms of the percentage of revenue, the Group's selling and distribution expenses decreased from approximately 37.8% for the six months ended 30 June 2019 to approximately 36.1% for the six months ended 30 June 2020.

Administrative Expenses

The Group's administrative expenses consisted of staff costs, professional fees, depreciation and amortization, property expenses, share-based compensation, and other miscellaneous administrative expenses. For the six months ended 30 June 2020, the Group's administrative expenses amounted to approximately RMB148.8 million, as compared to approximately RMB481.0 million for the six months ended 30 June 2019, representing a decrease of approximately RMB332.2 million, or approximately 69.1%. The decrease was mainly due to the effects of the expenses associated with the share options and share award of the Company and the ESOP of Sunshine Guojian. Had the effects of the non-recurring items been excluded, the administrative expenses for the six months ended 30 June 2020 would have been approximately RMB138.5 million, as compared to approximately RMB140.5 million for the six months ended 30 June 2019, representing a decrease of approximately RMB2.0 million, or approximately 1.4%, which was relatively stable as compared to the corresponding period in 2019. The administrative expenses (excluding the aforementioned non-recurring items) as a percentage of revenue was approximately 5.1% for the six months ended 30 June 2020 and approximately 5.3% for the six months ended 30 June 2019, respectively.

R&D Costs

The Group's R&D costs primarily consisted of staff costs, materials consumption, clinical trials costs, depreciation and amortisation, and other miscellaneous R&D expenses. For the six months ended 30 June 2020, the Group's R&D costs amounted to approximately RMB254.3 million, as compared to approximately RMB263.9 million for the six months ended 30 June 2019, representing a slight decrease of approximately RMB9.5 million, or approximately 3.6%. The decrease was mainly due to the one-off expenses of RMB54.2 million incurred in 2019 in relation to the acquisition of in-progress R&D projects. Had the effects of the non-recurring items been excluded, the R&D costs for the six months ended 30 June 2019 would have been approximately RMB209.6 million, representing an increase of approximately RMB44.7 million, or approximately 21.3%, which was driven by the accelerated progress of the Group's product pipeline. The R&D costs accounted for approximately 9.4% of revenue for the six months ended 30 June 2020, as compared to approximately 10.0% for the corresponding period in 2019.

Other Expenses and Losses

The Group's other expenses and losses primarily consisted of donation expenses. For the six months ended 30 June 2020, the Group's other expenses and losses amounted to approximately RMB58.3 million, as compared to approximately RMB54.7 million for the six months ended 30 June 2019, representing an increase of approximately RMB3.6 million, or approximately 6.5%.

Finance Costs

For the six months ended 30 June 2020, the Group's finance costs amounted to approximately RMB43.6 million, as compared to approximately RMB48.2 million for the six months ended 30 June 2019, representing a decrease of approximately RMB4.5 million, or approximately 9.4%. The decrease was mainly due to the lower interest rate of bank borrowings during the six months ended 30 June 2020. Excluding the non-cash interest expenses of the 2022 Bonds, the finance cost decreased from RMB12.3 million for the six months ended 30 June 2019 to approximately RMB7.3 million for the six months ended 30 June 2020, representing a decrease of approximately RMB5.0 million, or approximately 40.5%.

Income Tax Expense

For the six months ended 30 June 2020, the Group's income tax expense amounted to approximately RMB132.8 million, as compared to approximately RMB95.4 million for the six months ended 30 June 2019, representing an increase of approximately RMB37.4 million, or approximately 39.3%. The increase was mainly due to the increase of the taxable income during the six months ended 30 June 2020, as compared to the corresponding period in 2019. The effective tax rates for the six months ended 30 June 2020 and the corresponding period in 2019 were 16.2% and 23.5%, respectively. The decrease in effective tax rate was mainly due to the increase in deductible expenses and losses for the six months ended 30 June 2020, as compared to those for the six months ended 30 June 2019.

EBITDA and Net Profit Attributable to Owners of the Parent

The EBITDA for the six months ended 30 June 2020 increased by approximately RMB415.2 million or approximately 70.7% to approximately RMB1,002.9 million, as compared to approximately RMB587.7 million for the six months ended 30 June 2019. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the 2022 Bonds; (b) the expenses associated with the share options and share award by the Company; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; and (d) the expenses in relation to the acquisition of in-progress research and development projects. The Group's normalized EBITDA for the six months ended 30 June 2020 increased by approximately RMB31.2 million or approximately 3.1% to approximately RMB1,049.4 million, as compared to approximately RMB1,018.3 million for the six months ended 30 June 2019.

The net profit attributable to owners of the parent for the six months ended 30 June 2020 was approximately RMB702.5 million, as compared to approximately RMB321.3 million for the six months ended 30 June 2019, representing an increase of approximately RMB381.2 million, or approximately 118.6%. The increase was mainly attributable to the one-off impact of the expenses associated with the awarded shares under the ESOP of Sunshine Guojian for the six months ended 30 June 2019. The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the 2022 Bonds; and (b) the expenses associated with the share options and share award by the Company; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; and (d) the expenses in relation to the acquisition of in-progress research and development projects. The Group's normalized net profit attributable to owners of the parent for the six months ended 30 June 2020 was approximately RMB749.0 million, as compared to approximately RMB751.9 million for the six months ended 30 June 2019, representing a slight decrease of approximately RMB2.9 million, or approximately 0.4%.

Earnings Per Share

The basic earnings per share for the six months ended 30 June 2020 was approximately RMB0.28, as compared to approximately RMB0.13 for the six months ended 30 June 2019, representing an increase of approximately 115.4%. As in the case of the net profit attributable shares of the parent, the increase was mainly attributable to the one-off impact of the expenses associated with the awarded shares under the ESOP of Sunshine Guojian for the six months ended 30 June 2019. The calculation of the normalized basic earnings per share amount is based on the normalized net profit attributable to owners of the parent for the six months ended 30 June 2020 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 six months ended 30 June 2020 was approximately RMB0.30, remaining the same as approximately RMB0.30 for the six months ended 30 June 2019.

Financial Assets Measured at Fair Value

As at 30 June 2020, financial assets measured at fair value primarily comprised the investment in treasury or cash management products issued by certain banks, the investments in listed companies and the investments in private equity funds which focus on investment in health-care industry.

Liquidity, Financial and Capital Resources

The Group's liquidity remained strong. For the six months ended 30 June 2020, the Group's operating activities generated a net cash inflow of approximately RMB708.2 million. As at 30 June 2020, the Group's cash and bank balances were approximately RMB3,793.1 million.

Net Current Assets

As at 30 June 2020, the Group had net current assets of approximately RMB5,220.4 million, as compared to net current assets of approximately RMB2,984.5 million as at 31 December 2019. The current ratio of the Group increased from approximately 2.9 as at 31 December 2019 to approximately 4.2 as at 30 June 2020. The increase in net current assets and current ratio was mainly due to receipt of the proceeds of the issuance of the 2025 Bonds.

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 equity and assets while maintaining prudent funding and treasury policies.

As at 30 June 2020, the Group had an aggregate interest-bearing bank borrowings of approximately RMB473.5 million, as compared to approximately RMB497.2 million as at 31 December 2019. The decrease in bank borrowings primarily reflected the repayment of loans of RMB489.4 million in 2020 that was largely offset by additional bank-borrowing of RMB462.0 million. Among the short-term deposits, none was pledged to secure bank loans as at 30 June 2020.

As at 30 June 2020, the Group had convertible bonds outstanding of approximately RMB3,906.9 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings (excluding the 2022 Bonds) by the total equity, decreased to approximately 4.1% as at 30 June 2020 from approximately 4.8% as at 31 December 2019. The decrease was primarily due to the decrease of bank borrowings.

Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB1,970.1 million as at 30 June 2020, as compared to approximately RMB1,822.0 million as at 31 December 2019.

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 RMB35.9 million, or approximately 1.3% of the Group's revenue, for the six months ended 30 June 2020. Except for the operations of Sirton, the Group's exports, potential international deal-making expenditures (such as related to international licensing and acquisitions), and foreign currency denominated bank deposits and the Euro-denominated bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 30 June 2020, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD56.4 million (equivalent to approximately RMB399.3 million); (2) approximately HKD23.3 million (equivalent to approximately RMB21.2 million); and (3) approximately EUR238.8 million (equivalent to approximately RMB1,901.4 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 six months ended 30 June 2020, 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 expansion of the Group's production capabilities and the maintenance of the Group's existing facilities. The Group expects to finance its capital expenditures through a combination of internally generated funds and bank borrowings.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2020, the Group employed a total of 5,437 employees, as compared to a total of 5,404 employees as at 31 December 2019. The staff costs, including Directors' emoluments but excluding any contributions to the pension scheme, were approximately RMB555.1 million for the six months ended 30 June 2020, as compared to approximately RMB896.0 million for the corresponding period in 2019. Such difference between the two periods was mainly due to the equity incentive awards and grants made by the Group during the six months ended 30 June 2019. The Group generally formulated its employees' remuneration package to include salary, bonus, equity compensation, 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, a share award scheme and other incentive schemes 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.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of members of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the 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 has complied with all applicable code provisions set out in the CG Code during the six months ended 30 June 2020.

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 separate chairman and chief executive officer. Dr. LOU Jing currently performs these two roles. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and facilitating a more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will from time to time review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code during the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, the Company had 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). All the shares repurchased by the Company during the six months ended 30 June 2020 had been cancelled by the Company. Save as the aforesaid repurchases of shares and as described under the headings "Repurchases and Redemption of Existing 2022 Bonds" and "New 2025 Bonds Issue", there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2020.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises 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, together with the management, has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020. The Audit Committee has also reviewed the effectiveness of the financial controls and internal control and risk management systems of the Company, and considers the internal control and risk management systems to be effective and adequate.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the interim results announcement of the Group's results for the six months ended 30 June 2020 has been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Ernst & Young on the interim results announcement.

PUBLICATION OF THE INTERIM RESULTS AND 2020 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

The Company's 2020 interim report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Shenyang, the PRC
17 August 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.