三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 40285)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS*

- Revenue increased by RMB269.5 million or 5.1% to RMB5,587.6 million.
- Gross profit increased by RMB132.0 million or 3.0% to RMB4,524.7 million, and gross profit margin was 81.0%.
- Research and development costs increased by RMB63.8 million or 12.1% to RMB590.3 million, accounting for 10.6% of revenue.
- Normalized EBITDA[1] decreased by RMB398.9 million or 19.9% to RMB1,606.1 million. EBITDA decreased by RMB243.4 million or 15.3% to RMB1,343.0 million.
- Normalized net profit attributable to owners of the parent[2] decreased by RMB226.0 million or 16.2% to RMB1,166.4 million. Net profit attributable to owners of the parent decreased by RMB137.9 million or 14.2% to RMB835.8 million.
- Normalized net profit attributable to owners of the parent, after excluding the foreign exchange differences, increased by RMB71.7 million or 5.3% to RMB1,416.4 million.

* 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 expenses incurred in relation to the Euro-denominated zero-coupon convertible bonds (the "**Bonds**"), respectively, the Bonds in an aggregate principal amount of EUR300,000,000 due 2022 (**"2022 Bonds**") and the Bonds in an aggregate principal amount of EUR320,000,000 due 2025 ("**2025 Bonds**"); (b) the expenses associated with the share options and awarded shares granted in February 2017, March 2020 and September 2020; (c) the expenses associated with the awarded shares under an employee share ownership plan (the "**ESOP**") by Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. ("**Sunshine Guojian**"), an indirect non-wholly owned subsidiary of 3SBio Inc. ("**3SBio**" or the "**Company**"); and (d) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Bydureon and Humulin.

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 2020, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
REVENUE	5	**5,587,636**	5,318,091
Cost of sales	6	**(1,062,911)**	(925,347)
Gross profit		**4,524,725**	4,392,744
Other income and gains	5	**178,171**	218,107
Selling and distribution expenses		**(2,019,717)**	(1,950,733)
Administrative expenses		**(452,776)**	(676,009)
Research and development costs		**(590,343)**	(526,565)
Other expenses	6	**(549,472)**	(114,024)
Finance costs	7	**(81,066)**	(109,476)
Share of profits and losses of:			
A joint venture		**(525)**	4,970
Associates		**(29,868)**	(16,001)
PROFIT BEFORE TAX		**979,129**	1,223,013
Income tax expense	8	**(208,023)**	(242,785)
PROFIT FOR THE YEAR		**771,106**	980,228
Attributable to:			
Owners of the parent		**835,791**	973,717
Non-controlling interests		**(64,685)**	6,511
		771,106	980,228
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	10	**RMB0.33**	RMB0.38
— Diluted	10	**RMB0.33**	RMB0.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**771,106**	980,228
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(123,790)**	27,732
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(123,790)**	27,732
Other comprehensive income/(loss) 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	**193,234**	(2,801)
Income tax effect	**3,819**	3,660
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**197,053**	859
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**73,263**	28,591
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**844,369**	1,008,819
Attributable to:		
Owners of the parent	**909,054**	1,002,308
Non-controlling interests	**(64,685)**	6,511
	844,369	1,008,819

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,621,379**	1,988,793
Right-of-use assets		**358,013**	335,936
Goodwill		**3,918,921**	4,145,896
Other intangible assets		**1,898,478**	2,165,139
Investment in a joint venture		**6,945**	7,470
Investments in associates		**749,722**	593,414
Equity investments designated at fair value through other comprehensive income		**897,717**	676,989
Long-term receivables		**2,200**	6,555
Prepayments, other receivables and other assets		**325,628**	163,909
Deferred tax assets		**219,282**	129,024
Total non-current assets		**10,998,285**	10,213,125
CURRENT ASSETS			
Inventories		**619,508**	528,473
Trade and notes receivables	11	**982,965**	1,018,265
Prepayments, other receivables and other assets		**587,917**	472,360
Financial assets at fair value through profit or loss		**1,272,862**	472,163
Pledged deposits	12	**125,823**	22,073
Cash and cash equivalents	12	**3,090,835**	2,082,847
Total current assets		**6,679,910**	4,596,181
CURRENT LIABILITIES			
Trade and bills payables	13	**203,286**	149,763
Other payables and accruals		**786,746**	913,990
Deferred income		**36,113**	37,217
Interest-bearing bank and other borrowings	14	**360,151**	483,957
Lease liabilities		**7,007**	5,467
Tax payable		**57,618**	21,335
Total current liabilities		**1,450,921**	1,611,729
NET CURRENT ASSETS		**5,228,989**	2,984,452
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,227,274**	13,197,577

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**53,315**	13,286
Lease liabilities		**32,219**	3,964
Convertible bonds		**2,461,427**	2,304,750
Deferred income		**308,460**	242,314
Deferred tax liabilities		**272,242**	268,077
Other non-current liabilities		**6,276**	5,867
Total non-current liabilities		**3,133,939**	2,838,258
Net assets		**13,093,335**	10,359,319
EQUITY			
Equity attributable to owners of the parent			
Share capital		**155**	155
Share premium		**4,297,946**	4,307,795
Other reserves		**6,391,213**	5,317,091
		10,689,314	9,625,041
Non-controlling interests		**2,404,021**	734,278
Total equity		**13,093,335**	10,359,319

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 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 Company and its subsidiaries for the year ended 31 December 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

(d) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, no leases of the Group have been reduced or waived by the lessors as a result of the COVID-19 pandemic. The amendment did not have any impact on the financial position and performance of the Group.

(e) 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, or both. The amendments did not have any significant impact on the financial position and 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

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**5,420,940**	5,175,586
Others	**166,696**	142,505
	5,587,636	5,318,091

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

(b) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**7,822,314**	7,391,487
Others	**2,056,772**	2,009,070
	9,879,086	9,400,557

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 accounted for 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:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of biopharmaceuticals	**5,549,693**	5,292,397
Technical services	**10,353**	25,694
Licensing revenue	**27,590**	—
	5,587,636	5,318,091

Revenue from contracts with customers

(a) Disaggregated revenue information

	2020	2019
	RMB'000	*RMB'000*
Types of goods or services		
Sale of biopharmaceuticals	**5,549,693**	5,292,397
Technical services	**10,353**	25,694
Licensing revenue	**27,590**	—
Total revenue from contracts with customers	**5,587,636**	5,318,091
Geographical markets		
Mainland China	**5,420,940**	5,175,586
Others	**166,696**	142,505
Total revenue from contracts with customers	**5,587,636**	5,318,091
Timing of revenue recognition		
Goods transferred at a point in time	**5,549,693**	5,292,397
Services transferred over time	**10,353**	25,694
License or intellectual property transferred at a point in time	**27,590**	—
Total revenue from contracts with customers	**5,587,636**	5,318,091

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

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of biopharmaceuticals	**34,431**	29,816

(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 services

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:

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**14,135**	18,300
After one year	**1,140**	15,705
	15,275	34,005

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.

Licensing revenue

The performance obligation is satisfied at the point of time when customer obtains control of license or intellectual property.

	2020	2019
	RMB'000	*RMB'000*
Other income		
Government grants related to		
— Assets (a)	**30,849**	31,578
— Income (b)	**51,719**	36,508
Interest income	**84,502**	83,858
Others	**3,949**	18,541
	171,019	170,485
Gains		
Gain on deemed disposal of an associate	**625**	—
Gain on repurchase of convertible bonds	**6,527**	—
Foreign exchange differences, net	**—**	47,622
	7,152	47,622
	178,171	218,107

Notes:

(a) The Group has received certain government grants to purchase items of property, plant and equipment. The grants are initially recorded as deferred income and are amortised against the depreciation charge of the underlying property, plant and equipment in accordance with the assets' estimated useful lives.

(b) The government grants have been received for the Group's contribution to the development of the local pharmaceutical industry. There are no unfulfilled conditions or contingencies attaching to these grants.

6. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**1,061,971**	918,155
Cost of service provided	**940**	7,192
Depreciation of property, plant and equipment	**185,524**	185,608
Depreciation of right-of-use assets	**18,859**	13,292
Amortisation of other intangible assets	**156,554**	135,068
Amortisation of long-term deferred expenses	**6,381**	3,780
Lease payments not included in the measurement of lease liabilities	**4,851**	6,615
Auditor's remuneration	**6,525**	9,367
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**984,072**	973,269
Equity-settled compensation expenses	**100,964**	153,469
Pension scheme contributions	**31,294**	71,694
Social welfare and other costs	**128,241**	108,237
	1,244,571	1,306,669
Other expenses and losses:		
Donation	**102,898**	63,679
Loss on disposal of items of property, plant and equipment	**1,016**	3,367
Foreign exchange differences, net	**250,026**	—
(Reversal of provision for impairment)/provision for impairment of long-term receivables	**(19,732)**	28,170
Provision for impairment /(reversal of provision for impairment) of trade receivables	**879**	(12,078)
Provision for impairment of prepayments, other receivables and other assets	**26,363**	25,717
Provision for impairment and write-off of other intangible assets	**177,804**	—
Others	**10,218**	5,169
	549,472	114,024

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**11,873**	36,380
Interest on convertible bonds	**67,472**	72,518
Interest on lease liabilities	**1,721**	578
	81,066	109,476

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% (2019: 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:

	2020	2019
	RMB'000	*RMB'000*
Current	**290,297**	286,431
Deferred	**(82,274)**	(43,646)
Total tax charge for the year	**208,023**	242,785

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:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**979,129**	1,223,013
At the PRC's statutory income tax rate of 25%	**244,782**	305,753
Preferential income tax rates applicable to subsidiaries	**(61,225)**	(81,911)
Additional deductible allowance for research and development expenses	**(48,080)**	(59,890)
Income not subject to tax	**(3,454)**	(15,157)
Effect of non-deductible expenses	**11,168**	16,744
Tax losses utilised from previous periods	**(140)**	(1,361)
Tax losses not recognised	**37,469**	74,889
Others	**27,503**	3,718
Tax charge at the Group's effective rate	**208,023**	242,785

The effective tax rate of the Group for the year ended 31 December 2020 was 21.2% (2019: 19.9%).

9. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Proposed and declared dividend	**—**	—

No dividends were declared or paid by the Company for the year ended 31 December 2020 (31 December 2019: 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 2,534,742,913 (2019: 2,535,438,744) 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:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**835,791**	973,717
Interest on convertible bonds	**67,472**	—
Less: Gain on repurchase of convertible bonds	**(6,527)**	—
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds and gain on repurchase of convertible bonds	**896,736**	973,717

	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,534,742,913**	2,535,438,744
Effect of dilution — weighted average number of ordinary shares:		
Share options	**2,796,830**	2,299,436
Awarded shares	**10,869,773**	—
Convertible bonds	**202,410,360**	—
	2,750,819,876	2,537,738,180

11. TRADE AND NOTES RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**912,431**	982,331
Notes receivable	**122,964**	87,485
	1,035,395	1,069,816
Provision for impairment of trade receivables	**(52,430)**	(51,551)
	982,965	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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**515,759**	464,339
1 to 3 months	**319,032**	375,581
3 to 6 months	**22,570**	74,424
6 months to 1 year	**7,989**	18,682
1 to 2 years	**8,214**	14,981
Over 2 years	**38,867**	34,324
	912,431	982,331

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**51,551**	63,629
Impairment losses, net	**879**	(12,078)
At end of year	**52,430**	51,551

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 2020

	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	**0.98%**	**0.95%**	**0.93%**	**0.83%**	**63.44%**	**100%**
Gross carrying amount (RMB'000)	**515,759**	**319,032**	**22,570**	**7,989**	**8,214**	**38,867**
Expected credit losses (RMB'000)	**5,052**	**3,025**	**209**	**66**	**5,211**	**38,867**

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%
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

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020	2019
	RMB'000	*RMB'000*
Cash and bank balances	**3,090,128**	2,082,142
Restricted cash	**707**	705
Pledged deposits	**125,823**	22,073
	3,216,658	2,104,920
Less: Pledged deposits	**(125,823)**	(22,073)
Cash and cash equivalents	**3,090,835**	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, 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 2020 are denominated in the following currencies:

	2020	2019
	RMB'000	*RMB'000*
Denominated in:		
— RMB	**2,738,328**	1,585,014
— HKD	**18,083**	85,380
— USD	**227,954**	310,954
— EUR	**232,291**	123,570
— Great Britain Pound ("**GBP**")	**2**	2
	3,216,658	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 RMB125,823,000 (2019: RMB22,073,000) have been pledged to secure letters of credit, bank acceptance bills and others as at 31 December 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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**176,735**	131,436
3 to 6 months	**21,093**	14,790
Over 6 months	**5,458**	3,537
	203,286	149,763

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

	2020			2019		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans — unsecured	**3.15–3.30**	**2021**	**360,151**			—
Bank loans — secured			**—**	1.00–4.35	2020	483,957
			360,151			483,957
Non-current						
Bank loans — unsecured	**4.20**	**2029**	**30,042**			—
Bank loans — secured	**2.75**	**2028**	**23,273**	2.75	2028	13,286
			53,315			13,286
Convertible bonds	**1.50**	**2020–2025**	**2,461,427**	2.50	2017–2022	2,304,750
			2,514,742			2,318,036
			2,874,893			2,801,993

	2020 ***RMB'000***	2019 *RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**360,151**	483,957
In the second year	**—**	—
In the third to tenth years, inclusive	**53,315**	13,286
	413,466	497,243

Notes:

(a) The bank borrowings bear interest at fixed interest rates ranging from 2.75% to 4.20% per annum (2019: 1.00% to 4.35%).

(b) Certain of the Group's bank loans are secured by mortgages over the Group's land and buildings, which had a net carrying value at the end of the reporting period of approximately RMB2,806,000 (2019: RMB2,733,000) and RMB13,583,000 (2019: RMB14,443,000), respectively.

(c) As at 31 December 2020, except for secured bank borrowings of RMB23,273,000 (2019: RMB64,086,000) which were denominated in EUR, 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 was 72.7% in 2020. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a continuing dominant share in the Mainland China TNF α market of 45.5% in 2020. With its two rhEPO products, the Group has been the premier market leader in the Mainland China rhEPO market for nearly two decades, holding a total share of 41.1% in 2020. The Group has been expanding its therapeutic coverage by adding products through internal research and development ("**R&D**") and various external strategic partnerships.

Key Events

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

As announced on 20 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 on 16 April 2020. 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

As announced on 17 June 2020, Strategic International repurchased 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] 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 had 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 were 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 had 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 gave notice to exercise such right to redeem all of the then outstanding 2022 Bonds in the principal amount of EUR850,000. All such then outstanding 2022 Bonds were redeemed on 27 August 2020. Accordingly, the 2022 Bonds were delisted from The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") upon the close of business on 4 September 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, 29 June 2020 and 28 August 2020.

New 2025 Bonds Issue

As announced on 29 June 2020, Strategic International successfully completed the issuance to institutional investors of the 2025 Bonds, which was guaranteed by the Company. The listing of, and permission to deal in, the 2025 Bonds on the 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 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 Stock Exchange for the five consecutive trading days up to and including 17 June

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

3 "Conversion Share(s)" refers to the Share(s) (as defined in footnote 4 below) 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)" refers to ordinary share(s) in the share capital of the Company with a par value of USD0.00001 each.

2020. For more details of the issuance of the 2025 Bonds, please refer to the Company's 2020 interim report dated 30 September 2020 under the heading "Convertible Bonds".

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 equity interest 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 2019 annual report dated 29 April 2020 under the heading "Proposed Spin-off of Sunshine Guojian".

RD02 Approved for Launch

As announced on 19 August 2020, the Group has obtained approval from the PRC National Medical Products Administration ("**NMPA**") to launch the nadroparin calcium injection (RD02) which is self-developed by the Group.

Ampholipad™ Marketing Authorization Application Accepted

As announced on 26 August 2020, the Group has also obtained the acceptance by the NMPA of the Marketing Authorization Application for Ampholipad™, which is the complex generic of Gilead's AmBisome® (amphotericin B liposome for injection) from Taiwan Liposome Company, Ltd. ("**TLC**") used for the treatment of systemic fungal infections. TLC is a clinical-stage specialty pharmaceutical company dually listed on NASDAQ (NASDAQ ticker: TLC) and the Taiwan OTC Exchange (TWO: 4152) and is a collaboration partner of the Company. The Company will commercialize the product in Mainland China.

NRDL Listings

On 28 December 2020, Cipterbin, the first innovative anti-HER2 monoclonal antibody ("**mAb**") independently developed in China by Sunshine Guojian, was accepted for listing in the 2020 National Reimbursement Drug List ("**NRDL**").

In addition, TPIAO, the Company's self-developed proprietary product for the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and immune thrombocytopenia ("**ITP**"), was also accepted for listing in the 2020 NRDL through negotiation on the same day.

Key Events after the Reporting Period

AstraZeneca Licenses Update

Due to streamlining in respect to the products licensed under an exclusive license agreement with AstraZeneca[5], with effect from 25 January 2021, all the arrangements in relation to Bydureon, the weekly administered GLP-1 receptor agonist product launched in May 2018, were terminated and Hongkong Sansheng Medical Limited ("**Hongkong Sansheng**"), a wholly-owned subsidiary of the Company, was therefore relieved from any further and future obligations in respect of Bydureon. Meanwhile, Hongkong Sansheng and AstraZeneca will continue to cooperate for the commercialization of Byetta, an injectable GLP-1 receptor agonist administered to treat type 2 diabetes, pursuant to the exclusive license agreement. The Group will continue to explore other collaboration and business opportunities with AstraZeneca.

Lilly Collaboration Update

Due to streamlining of the Group's products portfolio, save for the distribution of Humulin cartridges and KwikPens, all the distribution and promotion arrangements between the Group and Lilly China (and its affiliate) ("**Lilly**") in relation to Humulin, a human insulin product, were terminated on 28 February 2021 and the Group was therefore relieved from any further and future obligations relating thereto. The Group will continue to explore any other collaboration and business opportunities with Lilly from time to time.

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

[5] AstraZeneca refers to the applicable subsidiaries of AstraZeneca PLC.

Key Products

TPIAO

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 CIT and ITP. TPIAO has the advantages of higher efficacy, faster platelet recovery and fewer side effects as compared to alternative treatments for CIT and ITP.

TPIAO has been listed on the NRDL as a Class B Drug for the treatment of severe CIT in patients with solid tumors or ITP since 2017. According to the "Chinese Guideline on the Diagnosis and Management of Adult Primary Immune Thrombocytopenia (2020 version)"[6] (the "**Guidelines**") issued by the Chinese Medical Association (the "**CMA**"), rhTPO is one of the primary treatments for ITP emergency cases and is the first choice recommendation in the second line treatments list in the Guidelines for both ITP and ITP in pregnancy. According to the "Chinese Expert Consensus on Prevention and Treatment of CIT in Malignant Lymphoma"[7] issued by the Chinese Society of Clinical Oncology ("**CSCO**"), rhTPO is one of the treatments for lymphoma CIT. According to the "Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in China"[8] issued by the CMA, 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"[9], TPO can be used to treat myelosuppressive thrombocytopenia. In the "Consensus on the Clinical Diagnosis, Treatment, and Prevention of Chemotherapy-Induced Thrombocytopenia in China (2019 version)"[10] issued by the China Anti-Cancer Association, rhTPO is one of the primary treatments for CIT. In the "Chinese Guidelines for Treatment of Adult Primary Immune Thrombocytopenia", published in the 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 31%. Currently, the majority of the Group's sales of TPIAO is generated from approximately 11% of the hospitals covered by the Group's sales team. In 2020, its market share for the treatment of thrombocytopenia in Mainland China was 25.5% in terms of sales volume and 72.7% in terms of sales value. The Group has started a phase III clinical trial of TPIAO in

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6 Issued by the Thrombosis and Hemostasis Group of the Chinese Society of Hematology of the CMA

7 Issued by Anti-Lymphoma Alliance and the Anti-Leukemia Alliance of the CSCO in 2020

8 Issued by the Chinese Society of Internal Medicine, of CMA in July 2020

9 Issued by the Critical Care Medicine Committee of Chinese PLA and Chinese Society of Laboratory Medicine, of the CMA in 2020

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

the pediatric ITP indication. 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.

EPIAO

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 on the NRDL as a Class B Drug for renal anemia since 2000 and, additionally, for CIA in patients with non-hematological malignancies since 2019. EPIAO has also been listed in the 2018 National Essential Drug List. EPIAO has consistently been the premier market leader in the 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. Further, EPIAO and SEPO together claim a majority market share of the Mainland China rhEPO market at 10,000 IU dosage. Future growth for EPIAO is expected to be driven by: (1) the increase of the dialysis penetration rate among patients with stage IV and V CKD, 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 NRDL addition of a CIA oncology indication since 2019 validates the growth potential of EPIAO as well as the Group's assessment thereof. 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. Patient enrollment in a randomized phase II clinical trial has been completed on NuPIAO (SSS06), a second-generation rhEPO to treat anemia. Patient enrollment in a randomized phase II clinical trial is ongoing on RD001, a pegylated long-acting rhEPO. 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 are expected to be completed in 2021.

Yisaipu

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 CMA. Yisaipu was adopted in the China RA Guidance under 'TNF α inhibitors' as one of the RA treatment options, and the 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 has been listed on the NRDL as a Class B Drug since 2017 for the treatment of patients with a confirmed diagnosis of RA and for the treatment of patients with a confirmed diagnosis of AS (excluding pre-radiographic axial spondylarthritis), each subject to certain medical prerequisites, and additionally, since 2019 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 45.5% in 2020. The sales coverage of Yisaipu extended to more than 3,700 hospitals in Mainland China, including nearly 1,700 Grade III hospitals, in 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 both 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 11% of the hospitals covered by the Group's sales team. Outside of Mainland China, Yisaipu has been approved in 15 countries, including Colombia, Thailand, the Philippines and Pakistan.

Cipterbin

Cipterbin (Inetetamab) is the first innovative anti-HER2 mAb in China with the engineered Fc region, optimized production process and a stronger antibody-dependent cell-mediated cytotoxicity ("**ADCC**") effect. It was approved by the NMPA on 19 June 2020 for the treatment of HER2-positive metastatic breast cancer in combination with chemotherapy, as it was proven 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. Cipterbin is listed on the 2020 NRDL. According to the "Chinese Advanced Breast Cancer Consensus Guideline 2020 (CABC3)" issued by the China Medical Women's Association, Inetetamab (Cipterbin) is one of the preferred treatments of advanced breast cancer. Inetetamab is adopted in the "Guidelines for the Clinical Application of New Anti-tumor Drugs (2020 edition)" issued by the PRC National Health Commission.

Mandi

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 the "Guideline for Diagnosis and Treatment of Androgenetic Alopecia" issued by Chinese Medical Doctor Association, minoxidil was listed as the only recommended topical drug for androgenetic alopecia. In the "Guideline for Diagnosis and Treatment of AA (2019)" issued by the CMA, minoxidil was listed as one of the topical treatments for AA. Patient enrollment has been completed in a phase III study of the foam form of Mandi, comparing head-to-head in male patients with hair loss to Rogaine®, the leading minoxidil drug in the United States. 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 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 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-vascular endothelial growth factor ("**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-IL-4R α 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 mAbs, 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, ophthalmology and dermatological diseases. The Group expects to file multiple investigational new drug ("**IND**") applications to both the U.S. Food and Drug Administration ("**USFDA**") and the PRC NMPA on new biologic entities with first-in-class and/or best-in-class potential, including new mAb and bi-specific antibodies, within the next 12 months.

The Group's R&D team, consisting of over 500 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 2020, amongst the 34 product candidates within the Group's active pipeline, 24 were being developed as National New Drugs in Mainland China. Out of these 34 products, 19 are mAb or bi-specific antibodies, six are other biologic products, and 9 are small molecule entities. The Group has 12 product candidates in oncology; 14 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; and two product candidates in dermatology.

Robust and Innovative Product Pipeline

1. BE: Bioequivalence assessment 2. CLD: Chronic Liver Disease

Key Product Developments

As announced on 25 February 2020, the Group has received an 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. A dose-escalating phase I trial in healthy volunteers has been completed. The Group expects to initiate phase II trials in asthma patients soon.

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 in combination 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 mAb with engineered Fc region and optimized production process and stronger ADCC effect. With Cipterbin being a project under Mainland China's national 863 Program, and 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 mAb and enhance the accessibility of national innovative drugs, thereby benefitting more patients in Mainland China.

As announced on 28 June 2020, the humanized mAb against IL 4 receptor alpha (IL-4R α) (the Company's development code: 611) independently developed by Sunshine Guojian was approved by the USFDA for clinical trials for the treatment of patients with atopic dermatitis (eczema). A dose-escalating phase I clinical trial in healthy volunteers is currently ongoing in the United States. An IND approval from the NMPA was received on 22 September 2020. The Group is planning to initiate phase Ib clinical trials in patients with atopic dermatitis in China in the very near future.

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 tumour burden, with major endpoints of safety and pharmacokinetics. The Group is currently performing internal auditing of the participating clinical trial sites and clinical study reports.

The Group has started a phase III clinical trial of TPIAO in the pediatric ITP indication. Patient enrollment is ongoing. The Group expects to complete patient enrollment in the second quarter of 2021. 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. Patient enrollment in a randomized phase II clinical trial has been completed, and the Group expects a data readout by the early fourth quarter of 2021. The Group is currently planning for a phase III trial of the product.

The Group has completed a dose-escalating phase I safety and pharmacokinetics study on RD001 in healthy volunteers. Patient enrollment in a randomized phase II clinical trial is ongoing.

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 has submitted an IND application for a phase II trial in patients with RA.

The Group has completed two phase I trials of an anti-EGFR antibody (602): one in healthy volunteers and the other in patients with colorectal cancer, and has initiated a phase 2 clinical trial of the product in patients with colorectal cancer. Patient enrollment is ongoing.

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 ticker: SELB) ("**Selecta**"), has commenced the phase III clinical program of the combination therapy SEL-212 for treatment of chronic refractory gout[11]. In 2014, Selecta was authorized by the Company to use pegsiticase, also known as pegadricase, (a recombinant enzyme that metabolizes uric acid) in the development of SEL-212. SEL-212 consists of pegsiticase and Selecta's proprietary ImmTOR® immune tolerance platform, which can durably control serum uric acid, reduce immunogenicity, and allow for repeated monthly dosing. In connection with the commencement of the phase III clinical program, Selecta made a milestone payment of USD4 million to the Company.

The Group has completed two dose-escalating phase I clinical trials of its anti-VEGF antibody (601A): one in AMD and the other in diabetic retinopathy with macular edema (DME) patients. The trials enrolled a total of 128 patients and have clearly demonstrated the safety and preliminary efficacy of the treatment. The Group has since initiated two phase II trials in patients with branch

[11] The phase III clinical program is on behalf of Sobi™ ("**Sobi**"), as pursuant to a strategic licensing agreement between Selecta and Sobi.

retinal vein occlusion and central retinal vein occlusion, respectively. Patient enrollment of both trials is actively ongoing. The Group is planning to initiate a phase II trial in pathologic myopia choroid neovascularization (pmCNV) patients soon. The Group is also preparing to start phase II/III clinical trials of 601A in AMD and DME patients in the near future.

The Group has completed a dose-escalating phase I clinical trial of its anti-IL17A antibody (608) in healthy volunteers. A phase II trial in patients with plaque psoriasis is expected to start soon.

The Group has completed patient enrollment in a US phase I trial of its anti-PD1 antibody (the Company's development code: 609A) in patients with various cancers. Patient enrollment in a phase I trial in China is actively ongoing. The Group is currently planning for advanced clinical trials for the product in multiple cancer indications, both as a single agent therapy and in various combination therapies.

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 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 for the part 2 study is actively ongoing. The Group expects to complete patient enrollment by the third quarter of 2021, with potential data readout in the fourth quarter of 2021.

The Group has started a randomized, double-blinded phase III study comparing head-to-head of MN709 (minoxidil foam) to Rogaine® in male patients with hair loss. Patient enrollment has been completed, and the Group expects a data readout by the third quarter of 2021.

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 ("**HIF**") proline hydroxylase, a molecule which can improve the stability and half-life of HIF α, so as to motivate the secretion of erythropoietin. 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.

Key R&D Collaboration and Partnership Activities

On 14 December 2020, Sunshine Guojian and Verseau Therapeutics, Inc. ("**Verseau**") announced the selection of a mAb targeting VSIG-4, as a licensed program under their partnership agreement that focuses on the development and commercialization of novel mAbs in the field of immuno-oncology for a broad range of cancers. This is the second licensed program under the partnership agreement signed between the parties in 2019. The first licensed program was granted by Verseau to Sunshine Guojian for VTX-0811, a novel PSGL-1-targeted antibody in the field of immuno-oncology, on 18 November 2019.

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.

As at 31 December 2020, the Group's extensive sales and distribution network in Mainland China was supported by approximately 3,263 sales and marketing employees, 797 distributors and 2,263 third-party promoters. As at 31 December 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 across 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 recent years, government policies on medical insurance reforms have focused on expanding insurance coverage and maintaining basic insurance levels. A number of measures have been implemented to advance the Chinese healthcare industry to its next stage of development, including dynamic adjustments of product selections and prices on the 2020 NRDL and National Essential Drugs List, gradual increase in the centralized volume-based drug procurement and price reduction of a variety of drugs, initiation of the Diagnosis Related Groups ("**DRGs**") pilot program for medical insurance, and the adoption of a two-tier diagnosis and treatment system involving regional healthcare associations and healthcare service alliances. Facing unprecedented changes, domestic innovative drugs are ready to take off, and the market competitive landscape has changed. The outcome of the negotiations of national medical insurance eliminated short and medium term market uncertainties, and strengthened the confidence in China's innovation-driven companies during a period of industrial advancement, which are of benefit to domestic innovative drug companies. The consistency evaluations of injections have accelerated the elimination of generic companies that lack credibility and competitiveness, and promoted the transformation of pharmaceutical companies that have R&D capacity for innovative drugs. The new drug-evaluation mechanism encourages innovation, and has accelerated the introduction of innovative drugs on the market, and advantages weigh eminently on the side of companies equipped with strong innovative R&D capabilities and multi-mode market operation capacities.

Government policy support will focus increasingly on innovative drugs and drugs with urgent clinical needs, signalling shorter approval timelines and greater chance for admission 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 increase in the ageing 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 biopharmaceutical company by leveraging its integrated R&D, production and marketing platforms.

Medical reform policies now face 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. Under the backdrop of the COVID-19 pandemic, the Group's core products serve as its moat, and we plan to advance in the broader markets of county-level areas by further penetrating hospitals that have already been covered by the Group's marketing team and the new hospitals that we plan to cover, and enhance the accessibility and convenience of marketed products through continuous academic promotions to medical professionals. The Group will continue to utilize its R&D outputs to create solid production patents and technology barriers, and in combination with its strong marketing team, the deepening of collaboration with leading international pharmaceutical companies, and the continued efforts to enhance business structures, such 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 four 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 structural competitive advantages so as to achieve stable growth under various metrics, including revenues and profits.

The Group has consistently pursued innovation and technology excellence. Its rich pipeline now includes 34 candidates, with 24 candidates being developed as National New Drugs (including registration Class I and Biologics Class II). The Group has successfully completed the divesture of its diabetes business in early 2021*, and will sharpen focus and continue to allocate resources in four core therapeutic areas including oncology, autoimmune diseases, nephrology and dermatology. The Group is pursuing further differentiation in chronic diseases, including the R&D of domestic first-tier drug candidates such as anti-IL-4R α antibody, anti-IL-5 antibody, and anti-IL-17A antibody, and focusing 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 Company's comprehensive antibody pipeline. The Group will continue to build up its in-house clinical development capacity, accelerate the clinic process, and advance its integrative research capability on a highly focused basis.

The Group will continue to maintain a comprehensive quality management and control system and voluntarily comply with global quality standards. The Group's facilities comprise its existing 38,000-liter mAb facility, which is the largest in China, as well as its production facilities for mammalian cells, bacterial cells and small molecules, all based on international standards. The Group's track records in respect of efficacy and product safety have been well proven. In addition to passing all the unannounced inspections conducted by the NMPA and the local governments, the Group has gradually expanded the production and scale at its four major bases in recent years, to meet the demands of the medical insurance policies (especially for national and provincial volume-based procurement) in future and rising sales. With more than 28 years of experience in the biopharmaceutical manufacturing field, the Group is able to produce high-quality medicines at a very competitive cost and with large-scale production capacity.

* With only the exclusive license agreement in respect of the commercialization of Byetta remaining.

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. Sunshine Guojian, a subsidiary of the Company, whose shares have been listed on the STAR Market, will proactively introduce innovative targets and combination therapies, keeping pace with international trends and exploring global innovative drug candidates, with an aim to build up a next-generation platform for innovative antibody biotechnology, and to form a closed loop with the Group's innovative pharmaceuticals. In 2020, the Group screened various projects, and endeavored to extend external strategic partnerships so as to continuously bring in products that have market potential, and that are in line with the Group's direction and synergistic with the existing product pipeline. This allows the Group to expand its product portfolio in the core therapeutic areas, and to give overall consideration on future globalization strategy. At the same time, advancing the existing strategic collaborations with companies such as Toray, Samsung Bioepis, Refuge Biotechnologies, Verseau, TLC, Numab, GenSight, Sensorion and INV affirms 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 brought immeasurable uncertainties, risks and challenges to businesses. 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 the second half of 2020, the general social and economic order in Mainland China returned to normal. 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 uncertainties and risks, the Group holds cautious confidence that after the 2020 experience, the Group has gained substantial experience in dealing with the new normalcy of the pandemic environment and developed a set of well-tested measures, such that stable growth may be sustained throughout the coming year.

Financial Review

Revenue

For the year ended 31 December 2020, the Group's revenue amounted to approximately RMB5,587.6 million, as compared to approximately RMB5,318.1 million for the year ended 31 December 2019, representing an increase of approximately RMB269.5 million, or approximately 5.1%. The increase was mainly attributable to the strong sales growth of TPIAO, EPIAO and small molecule therapeutics, which was partially offset by the decrease in the sales of Yisaipu.

For the year ended 31 December 2020, the Group's sales of TPIAO increased to approximately RMB2,762.7 million, as compared to approximately RMB2,322.9 million for the year ended 31 December 2019, representing an increase of approximately RMB439.8 million, or approximately 18.9%. 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 year ended 31 December 2020, the sales of TPIAO accounted for approximately 49.2% of the Group's total sales of goods.

For the year ended 31 December 2020, the Group's combined sales of EPIAO and SEPO increased to approximately RMB973.9 million, as compared to approximately RMB749.0 million for the year ended 31 December 2019, representing an increase of approximately RMB224.9 million, or approximately 30.0%. The increase was mainly due to the increase in sales volume which was in turn primarily driven by the improved penetration rate, as rhEPO has become a necessary basic drug at lower tier public medical institutions. For the year ended 31 December 2020, the Group's sales of EPIAO increased to approximately RMB733.0 million, as compared to approximately RMB546.3 million for the year ended 31 December 2019, representing an increase of approximately RMB186.8 million, or approximately 34.2%. For the year ended 31 December 2020, the Group's sales of SEPO increased to approximately RMB240.9 million, as compared to approximately RMB202.8 million for the year ended 31 December 2019, representing an increase of approximately RMB38.2 million, or approximately 18.8%. For the year ended 31 December 2020, the sales of EPIAO and SEPO accounted for a total of approximately 17.4% of the Group's total sales of goods.

For the year ended 31 December 2020, the Group's sales of Yisaipu decreased to approximately RMB615.3 million, as compared to approximately RMB1,143.6 million for the year ended 31 December 2019, representing a decrease of approximately RMB528.3 million, or approximately 46.2%. Such decrease was attributable to the intensifying competition in the market and the treatment of RA, with more elasticity associated with a chronic illness, being more susceptible to the impact of COVID-19 pandemic. Further, the Company announced a 50% price reduction of Yisaipu in October 2020, which had a negative effect to the sales of Yisaipu in the fourth quarter of 2020. For the year ended 31 December 2020, the sales of Yisaipu accounted for approximately 11.0% of the Group's total sales of goods.

For the year ended 31 December 2020, the Group's sales of small molecule therapeutics were approximately RMB644.9 million, as compared to approximately RMB527.1 million for the year ended 31 December 2019, representing an increase of approximately RMB117.8 million, or approximately 22.3%. The increase was mainly attributable to the increased sales volume of Mandi and Sparin (an injectable low-molecular-weight heparin calcium product indicated for: (1) prophylaxis and treatment of deep vein thrombosis and (2) prevention of clotting during hemodialysis). For the year ended 31 December 2020, the Group's sales of Mandi increased to approximately RMB367.6 million, as compared to approximately RMB250.2 million for the year ended 31 December 2019, representing an increase of approximately RMB117.4 million, or approximately 46.9%. 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 2020, the sales of small molecule therapeutics accounted for approximately 11.5% of the Group's total sales of goods.

For the year ended 31 December 2020, the Group's export sales decreased to approximately RMB62.1 million, as compared to approximately RMB68.0 million for the year ended 31 December 2019, representing a decrease of approximately RMB5.9 million, or approximately 8.7%. The decrease was mainly attributable to a reduced volume of purchase orders due to the outbreak of COVID-19 in 2020.

For the year ended 31 December 2020, the Group's other sales, which primarily consisted of sales from license-in products and contract manufacturing income from Sirton, a wholly-owned subsidiary of the Group, and other subsidiaries of the Group, increased to approximately RMB554.9 million, as compared to approximately RMB531.5 million for the year ended 31 December 2019, representing an increase of approximately RMB23.0 million, or approximately 4.3%. The increase was primarily attributable to the increased sales of license-in products and IV Iron Sucrose, an iron sucrose injection product indicated for the treatment of iron deficiency anemia.

Cost of Sales

The Group's cost of sales increased from approximately RMB925.3 million for the year ended 31 December 2019 to approximately RMB1,062.9 million for the year ended 31 December 2020, which accounted for approximately 19.0% 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 2020, as compared to the corresponding period in 2019.

Gross Profit

For the year ended 31 December 2020, the Group's gross profit increased to approximately RMB4,524.7 million, as compared to approximately RMB4,392.7 million for the year ended 31 December 2019, representing an increase of approximately RMB132.0 million, or approximately 3.0%. The increase in the Group's gross profit was broadly in line with its revenue growth during the period. The Group's gross profit margin decreased to approximately 81.0% for the year ended 31 December 2020 from approximately 82.6% for the corresponding period in 2019. The decrease was mainly due to the increased cost of raw materials for some products in the Group's product portfolio.

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 2020, the Group's other income and gains decreased to approximately RMB178.2 million, as compared to approximately RMB218.1 million for the year ended 31 December 2019, representing a decrease of approximately RMB39.9 million, or approximately 18.3%. The decrease was mainly attributable to the foreign exchange losses in 2020, as compared to the foreign exchange gain in 2019 .

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 2020, the Group's selling and distribution expenses amounted to approximately RMB2,019.7 million, as compared to approximately RMB1,950.7 million for the year ended 31 December 2019, representing an increase of approximately RMB69.0 million, or approximately 3.5%. The increase was broadly in line with its revenue growth during the period. In terms of the percentage of revenue, the Group's selling and distribution expenses represented approximately 36.1% for the year ended 31 December 2020 as compared to approximately 36.7% for the year ended 31 December 2019.

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 2020, the Group's administrative expenses amounted to approximately RMB452.8 million, as compared to approximately RMB676.0 million for the year ended 31 December 2019, representing a decrease of approximately RMB223.2 million, or approximately 33.0%. The decrease was mainly due to the effects of the expenses associated with the share options and the share awards of the Company and the ESOP of Sunshine Guojian. Had the effects of the non-recurring items been excluded, the administrative expenses for the year ended 31 December 2020 would have been approximately RMB351.5 million, as compared to approximately RMB329.9 million for the year ended 31 December 2019, representing an increase of approximately RMB21.6 million, or approximately 6.5%. The administrative expenses (excluding the aforementioned non-recurring items) as a percentage of revenue was approximately 6.3% for the year ended 31 December 2020, as compared to approximately 6.2% for the corresponding period in 2019.

R&D costs

The Group's R&D costs primarily consisted of staff costs, materials consumption, clinical trials costs, depreciation and amortization, and other miscellaneous R&D expenses. For the year ended 31 December 2020, the Group's R&D costs amounted to approximately RMB590.3 million, as compared to approximately RMB526.6 million for the year ended 31 December 2019, representing an increase of approximately RMB63.8 million, or approximately 12.1%. 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 10.6% for the year ended 31 December 2020, as compared to approximately 9.9% for the corresponding period in 2019.

Other Expenses

The Group's other expenses primarily consisted of donation expenses, provision for impairment of financial assets, other miscellaneous expenses and foreign exchange losses. For the year ended 31 December 2020, the Group's other expenses amounted to approximately RMB549.5 million, as compared to approximately RMB114.0 million for the year ended 31 December 2019, representing an increase of approximately RMB435.4 million, or approximately 381.9%. The increase was mainly attributable to the foreign exchange losses and the write-off expenses of the termination of the exclusive distrubution rights in other intangible assets in relation to Bydureon and Humulin.

Finance Costs

For the year ended 31 December 2020, the Group's finance costs amounted to approximately RMB81.1 million, as compared to approximately RMB109.5 million for the year ended 31 December 2019, representing a decrease of approximately RMB28.4 million, or approximately 26.0%. The decrease was mainly due to the decrease in interest expenses in relation to the repayment of bank borrowings and the lower interest cost in respect of the 2025 Bonds. Excluding the non-cash interest expenses of the Bonds, the finance costs decreased from approximately RMB37.0 million for the year ended 31 December 2019 to approximately RMB13.6 million for the year ended 31 December 2020, representing a decrease of approximately RMB23.4 million, or approximately 63.2%.

Income Tax Expense

For the year ended 31 December 2020, the Group's income tax expense amounted to approximately RMB208.0 million, as compared to approximately RMB242.8 million for the year ended 31 December 2019, representing a decrease of approximately RMB34.8 million, or approximately 14.3%. The effective tax rates for the year ended 31 December 2020 and the corresponding period in 2019 were 21.2% and 19.9%, respectively. The increase in the effective tax rate was mainly attributable to the increase in offshore losses for the year ended 31 December 2020, as compared to the year ended 31 December 2019.

EBITDA and Net Profit Attributable to Owners of the Parent

The EBITDA for the year ended 31 December 2020 decreased by approximately RMB243.4 million or approximately 15.3% to approximately RMB1,343.0 million, as compared to approximately RMB1,586.4 million for the year ended 31 December 2019. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to the 2022 Bonds and the 2025 Bonds; (b) the expenses associated with the share options and awarded shares granted in February 2017, March 2020 and September 2020; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; and (d) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Bydureon and Humulin. The Group's normalized EBITDA for the year ended 31 December 2020 decreased by approximately RMB398.9 million or approximately 19.9% to approximately RMB1,606.1 million, as compared to approximately RMB2,005.0 million for the year ended 31 December 2019.

The net profit attributable to owners of the parent for the year ended 31 December 2020 was approximately RMB835.8 million, as compared to approximately RMB973.7 million for the year ended 31 December 2019, representing a decrease of approximately RMB137.9 million, or approximately 14.2%. 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, as applicable: (a) the interest expenses incurred in relation to the 2022 Bonds and the 2025 Bonds; (b) the expenses associated with share options and awarded shares granted in February 2017, March 2020 and September 2020; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; and (d) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Bydureon and Humulin. The Group's normalized net profit attributable to owners of the parent for the year ended 31 December 2020 was approximately RMB1,166.4 million, as compared to approximately RMB1,392.3 million for the year ended 31 December 2019, representing a decrease of approximately RMB226.0 million, or approximately 16.2%.

Normalized net profit attributable to owners of the parent for the year ended 31 December 2020, after excluding foreign exchange losses, was approximately RMB1,416.4 million, as compared to approximately RMB1,344.7 million for the year ended 31 December 2019, as after excluding foreign exchange gains in the year, representing an increase of approximately RMB71.7 million, or approximately 5.3%.

Earnings Per Share

The basic earnings per share for the year ended 31 December 2020 was approximately RMB0.33 as compared to approximately RMB0.38 for the year ended 31 December 2019, representing a decrease of approximately 13.2%. 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 2020 was approximately RMB0.46, as compared to approximately RMB0.55 for the year ended 31 December 2019, representing a decrease of approximately 16.4%.

Other Comprehensive Income or Losses

The Group's other comprehensive income mainly consisted of comprehensive investment income and converted differences in foreign currency statements. For the year ended 31 December 2020, the Group's comprehensive investment income amounted to approximately RMB197.1 million, as compared to approximately RMB0.9 million for the year ended 31 December 2019, representing an increase of approximately RMB196.2 million, or approximately 22,839.8%. The increase was mainly attributable to the significant increase of the fair value of certain equity investments of the Group measured at fair value through other comprehensive income.

Financial Assets Measured at Fair Value

As at 31 December 2020, 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 despite a decrease in net cash inflow. For the year ended 31 December 2020, the Group's operating activities generated a net cash inflow of approximately RMB1,344.6 million, as compared to approximately RMB1,887.4 million for the year ended 31 December 2019, representing a decrease of RMB542.8 million or approximately 28.8%. The decrease was mainly attributable to the increased cash outflow for operating expenses. As at 31 December 2020, the Group's cash and cash equivalents and pledged deposits were approximately RMB3,216.7 million.

Net Current Assets

As at 31 December 2020, the Group had net current assets of approximately RMB5,229.0 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 4.6 as at 31 December 2020. The increase in net current assets and current ratio was mainly attributable to the receipt of the proceeds of the Offering of Sunshine Guojian's shares.

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 2020, the Group had an aggregate interest-bearing bank borrowing of approximately RMB413.5 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 RMB589.4 million, which was partially offset by additional bank loans of RMB501.8 million obtained in 2020. Among the short-term deposits, none was pledged to secure the aforementioned bank loans as at 31 December 2020.

As at 31 December 2020, the Group had outstanding convertible bonds of approximately RMB2,461.4 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 3.2% as at 31 December 2020 from approximately 4.8% as at 31 December 2019. The decrease was primarily due to the movement of equity, which was brought by comprehensive income and capital injection from non-controlling shareholders.

Contingent Liabilities

As at 31 December 2020, the Group had no significant contingent liabilities, save for the potential contingent liabilities in connection with the following proceedings in 2020:

- Lawsuit of Sunshine Guojian

  Shenyang Aircraft Industry Group Aluminum Curtain Wall Engineering Co., Ltd. ("**Shenyang Aircraft**") filed a lawsuit in July 2020, requesting the court to order Shanghai Shengguo Pharmaceutical Development Co., Ltd. ("**Shanghai Shengguo**"), a wholly-owned subsidiary of Sunshine Guojian, to pay the outstanding project funds and the liquidated damages for delayed payment of RMB5,095,438 in total. Shenyang Aircraft added Nantong Sijian Construction Group Co., Ltd. ("**NTSJ**") as the defendant in December 2020 and changed the claims as requesting the court to order NTSJ to pay the outstanding project funds and liquidated damages for delayed payment of RMB5,095,438 in total, and also demanding Shanghai Shengguo to bear joint liabilities. NTSJ instituted a countersuit in December 2020, requesting the court to order Shenyang Aircraft to compensate for the liquidated damages for the project delay of RMB28,825,813 in total, and also demanding Shanghai Shengguo to bear joint liabilities.

  As of the date of this announcement, the above case is still pending. After making overall analysis and consulting with lawyers for professional opinions, the management of Sunshine Guojian considers that the above pending lawsuits have no material impact on the financial statements of Sunshine Guojian on the balance sheet date.

- Lawsuit of Shenzhen Sciprogen

  Shandong Beiyao Lukang Pharmaceutical Technology Co., Ltd. ("**Shandong Beiyao**") filed a lawsuit in March 2020, requesting the court to order Sciprogen, a wholly-owned subsidiary of the Company, to pay losses and return prepayment of RMB16,886,107 in total. Subsequently, Sciprogen was informed that Shandong Beiyao changed the sum of its claims for losses to RMB60,032,223 on 9 March 2021. As of the date of this announcement, Sciprogen has not yet received the complete set of evidential materials newly submitted by Shandong Beiyao after changing its claims.

  As of the date of this announcement, the above case is still pending. After making overall analysis and consulting with lawyers for professional opinions, the management of the Company considers that the above pending lawsuits have no material impact on the financial statements of the Company on the balance sheet date.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB1,420.3 million as at 31 December 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 RMB62.1 million, or approximately 1.1% of the Group's revenue, for the year ended 31 December 2020. 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 2020, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD34.9 million (equivalent to approximately RMB228.0 million); (2) approximately HKD21.5 million (equivalent to approximately RMB18.1 million); and (3) approximately EUR28.9 million (equivalent to approximately RMB232.3 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 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 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 2020, the Group employed a total of 5,584 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 RMB1,219.9 million for the year ended 31 December 2020, as compared to approximately RMB1,436.6 million for the corresponding period in 2019. 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, which is 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. In addition, Sunshine Guojian has adopted a restricted share incentive plan in February 2021.

FINAL DIVIDEND

The Board does not recommend any dividend for the year ended 31 December 2020.

CLOSURE OF REGISTER OF SHAREHOLDERS

The annual general meeting of the Company is scheduled to be held on 22 June 2021. For determining the entitlement to attend and vote at the annual general meeting, the register of shareholders of the Company will be closed from 17 June 2021 to 22 June 2021, 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 16 June 2021.

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 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 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 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 standards as set out in the Model Code during the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 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 year ended 31 December 2020 had been cancelled by the Company. Save for the aforesaid repurchases of shares and except as described under the headings "Repurchases and Redemption of Existing 2022 Bonds" and "New 2025 Bonds Issue" in the "Management Discussion and Analysis" section of this announcement, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 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 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 2020. 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 2020 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 2020 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 2020 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 2021

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.