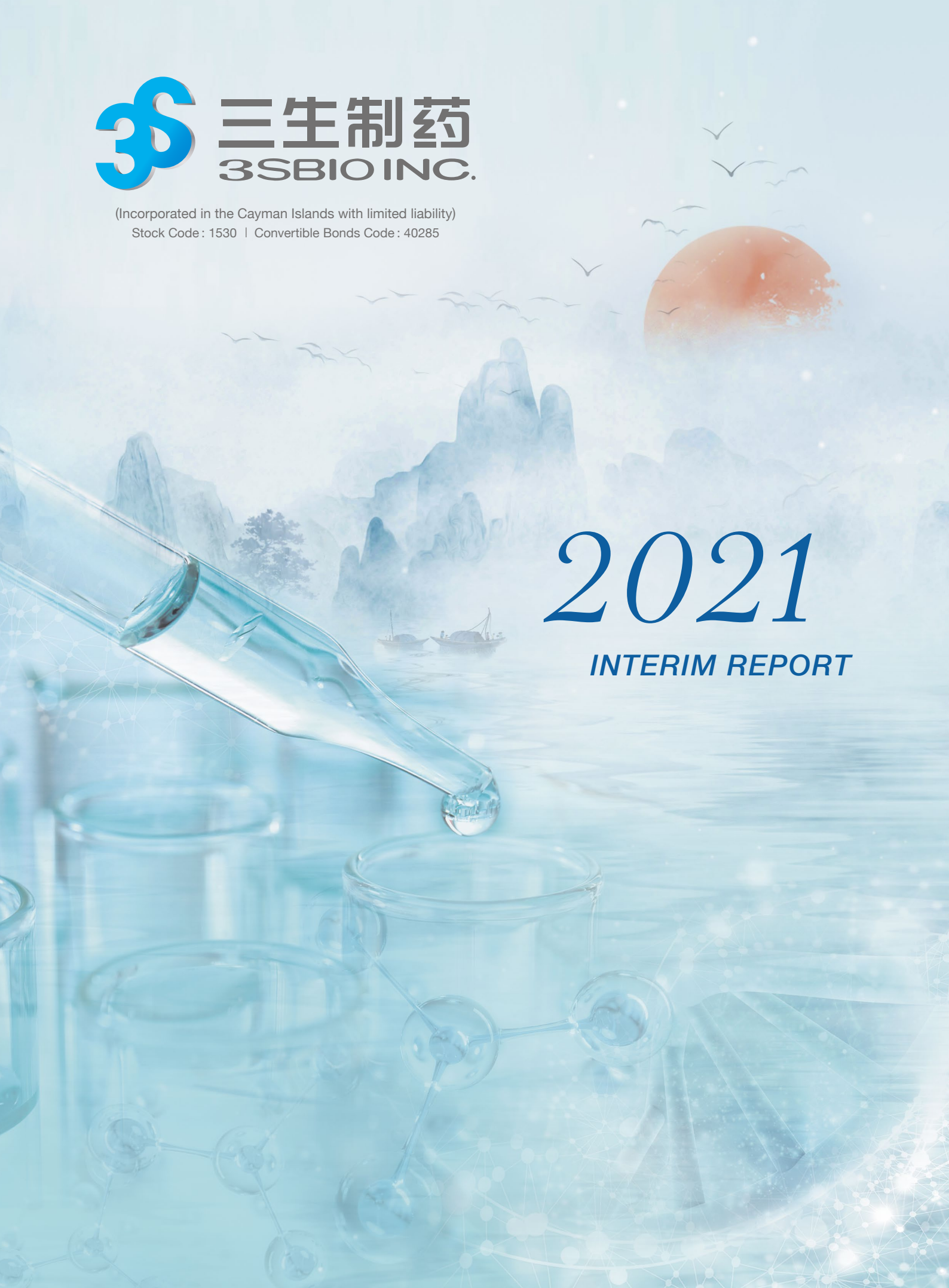
三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1530 | Convertible Bonds Code : 40285



2021

INTERIM REPORT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Contents

Company Overview

3SBio Inc. (the "**Company**" or "**3SBio**", with its subsidiaries collectively, the "**Group**") is a leading biotechnology company in the People's Republic of China (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), recombinant human erythropoietin ("**rhEPO**") products EPIAO (益比奧) and SEPO (賽博爾), Yisaipu (益賽普), and Mandi (蔓迪). All five products are market leaders in Mainland China[1]. TPIAO is the only commercialized recombinant human thrombopoietin ("**rhTPO**") product in the world. According to IQVIA[2], the market share in the treatment of thrombocytopenia, in terms of sales value, of TPIAO in Mainland China was 72.3% in the first half of 2021. 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 42.8% in the first half of 2021. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a share of 31.5% in the Mainland China TNF α market in the first half of 2021. According to the data of Chinese Pharmaceutical Association (中國藥學會, "**CPA**"), Mandi has a dominant market share of 71.5% in the Mainland China minoxidil tincture market in terms of sales value in the first half of 2021. The Group has been expanding its therapeutic coverage by adding products through internal research and development ("**R&D**") and various external strategic partnerships. Meanwhile, the Group boosts its revenue scale through strategic positioning in contract development and manufacturing operation ("**CDMO**") business, including potentially introducing strategic investors at an appropriate time in the future.

As at 30 June 2021, amongst the 35 product candidates within the Group's active pipeline, 24 were being developed as innovative drugs in Mainland China. Out of these 35 product candidates, 21 are monoclonal antibody ("**mAb**") or bi-specific antibodies, five are other biologic products, and nine are small molecule entities. The Group has 14 product candidates in oncology; 14 product candidates that target auto-immune diseases including rheumatoid arthritis ("**RA**"), and other diseases including refractory gout and ophthalmological diseases such as age-related macular degeneration ("**AMD**"); six product candidates in nephrology; and one product candidate in dermatology.

The Group operates in a highly attractive industry. Biotechnology has revolutionized the pharmaceutical industry by addressing unmet medical needs and offering innovative treatments for a wide array of human diseases. In Mainland China, the biotechnology industry enjoys strong government support and has been selected by the State Council of the PRC as a key strategic emerging industry. Strong government support along with increasing physician adoption of biopharmaceuticals has driven strong industry growth in Mainland China.

The Group is positioned for global expansion. Outside of Mainland China, TPIAO has been approved in nine countries; EPIAO has been approved in 22 countries; and Yisaipu has been approved in 15 countries. In the long term, the Group aims to market its products in developed countries. Furthermore, the Group is collaborating with international partners to develop and market the Group's product candidates, such as pegsiticase. The Group aims to focus its R&D to provide innovative therapeutics for patients in Mainland China and globally.

As at 30 June 2021, the Group had operation facilities in Shenyang, Shanghai, Hangzhou and Shenzhen, all in Mainland China, as well as in Como, Italy, with over 5,200 employees. The Group's pharmaceutical products are marketed and sold in all provinces, autonomous regions and special municipalities in Mainland China, as well as a number of foreign countries and regions. During the six months ended 30 June 2021 (the "**Reporting Period**"), the Group's nationwide sales and distribution network enabled it to sell its products to over 7,500 hospitals and medical institutions in Mainland China.

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1 Hereinafter referred to as the mainland area of the PRC.

2 All market share information throughout this report cites the IQVIA data, unless otherwise noted.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. LOU Jing *(Chairman & Chief Executive Officer)*

Ms. SU Dongmei

Non-executive Directors

Mr. HUANG Bin

Mr. TANG Ke

Independent Non-executive Directors

Mr. PU Tianruo

Dr. WONG Lap Yan

Ms. YANG, Hoi Ti Heidi (appointed on 29 June 2021)

Mr. David Ross PARKINSON (resigned on 29 June 2021)

COMPANY SECRETARY

Mr. LEE Kwok Fai Kenneth (appointed on 17 July 2021)

Ms. LEUNG Suet Wing (resigned on 17 July 2021)

AUTHORIZED REPRESENTATIVES

Mr. LEE Kwok Fai Kenneth (appointed on 17 July 2021)

Ms. LEUNG Suet Wing (resigned on 17 July 2021)

Ms. SU Dongmei

AUDIT COMMITTEE

Mr. PU Tianruo *(Chairman)*

Ms. YANG, Hoi Ti Heidi

Dr. WONG Lap Yan

REMUNERATION COMMITTEE

Dr. WONG Lap Yan *(Chairman)*

Mr. PU Tianruo

Mr. TANG Ke

NOMINATION COMMITTEE

Dr. LOU Jing *(Chairman)*

Mr. PU Tianruo

Dr. WONG Lap Yan

REGISTERED OFFICE (IN THE CAYMAN ISLANDS)

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTER

No. 3 A1, Road 10

Shenyang Economy and Technology Development Zone

Shenyang

People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Corporate Information

LEGAL ADVISERS

As to Hong Kong law and United States law:

Baker & McKenzie
14th Floor, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

As to China law:

Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
People's Republic of China

As to Cayman Islands law:

Conyers Dill & Pearman
SIX, 2nd Floor, Cricket Square
171 Elgin Ave
George Town, Grand Cayman
Cayman Islands

AUDITORS

Ernst & Young
Certified Public Accountants
27th Floor, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

SECURITIES CODES

Shares Listing
Ordinary Shares
The Stock Exchange of Hong Kong Limited
(Stock Code: 1530)

Convertible Bonds Listing
EUR320,000,000 Zero-Coupon Convertible Bonds due 2025
The Stock Exchange of Hong Kong Limited
(Convertible Bonds Code: 40285)

COMPANY'S WEBSITE

www.3sbio.com

PRINCIPAL BANK

Industrial Bank Co., Ltd, Shenyang Branch
No. 36 Shiyiwei Road
Heping District
Shenyang
People's Republic of China

Financial Highlights

- Revenue increased by RMB412.0 million or 15.3% to RMB3,107.1 million, as compared to the six months ended 30 June 2020.

- Gross profit increased by RMB370.1 million or 16.7% to RMB2,587.1 million, as compared to the six months ended 30 June 2020. The gross profit margin increased to 83.3% from 82.3% for the six months ended 30 June 2020.

- R&D costs increased by RMB90.5 million or 35.6% to RMB344.9 million, accounting for 11.1% of revenue.

- Net profit attributable to owners of the parent increased by RMB196.4 million or 28.0% to RMB898.9 million, as compared to the six months ended 30 June 2020. Normalized net profit attributable to owners of the parent[3] increased by RMB180.8 million or 24.1% to RMB929.8 million, as compared to the six months ended 30 June 2020.

- EBITDA increased by RMB174.5 million or 17.4% to RMB1,177.4 million, as compared to the six months ended 30 June 2020. Normalized EBITDA[4] increased by RMB128.2 million or 12.2% to RMB1,177.6 million, as compared to the six months ended 30 June 2020.

- Total comprehensive income increased by RMB73.0 million or 7.8% to RMB1,014.4 million, as compared to the six months ended 30 June 2020.

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

Notes:

3 The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the Euro-denominated zero-coupon convertible bonds ("**Bonds**") in an aggregate principal amount of Euro ("**EUR**") 300,000,000 due 2022 (the "**2022 Bonds**") and the Bonds in an aggregate principal amount of EUR320,000,000 due 2025 (the "**2025 Bonds**"); (b) the expenses associated with the share options and awarded shares granted in February 2017 and March 2020; (c) the expenses associated with the share options under an employee share ownership plan (the "**ESOP**") of Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. ("**Sunshine Guojian**"), an indirect non-wholly owned subsidiary of 3SBio; and (d) gain on deemed disposal of investment in associates.

4 The normalized EBITDA is defined as the EBITDA for the period excluding the same items as listed in Note 3 above.

Management Discussion and Analysis

BUSINESS REVIEW

Key Events

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.

For other key events, please also refer to "Key Product Developments" section below.

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 PRC National Medical Products Administration ("**NMPA**") for two indications: the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and immune thrombocytopenia ("**ITP**"). TPIAO has the advantages of higher efficacy, faster platelet recovery and fewer side effects as compared to alternative treatments for CIT and ITP.

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

TPIAO has been listed on the National Reimbursement Drug List ("**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 Expert Consensus on the Management of Hemorrhagic Complications after Hematopoietic Stem Cell Transplantation (2021 version)"[6], rhTPO is the first choice recommendation for thrombocytopenia after transplantation. According to the "Chinese Guideline on the Diagnosis and Management of Adult Primary Immune Thrombocytopenia (2020 version)"[7] (the "**Guidelines**"), 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"[8], rhTPO is one of the treatments for lymphoma CIT. According to the "Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in China"[9], 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"[10], 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)"[11], 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.

On 28 December 2020, TPIAO was approved for listing on the 2021 NRDL through negotiation. During the Reporting Period, the continuing sales growth of TPIAO was mainly derived from 1) the continued increase in the number of hospitals covered; 2) the reduced pressure on patients under new medical insurance payment pricing; and 3) the enhanced market position for inpatients attributable to its safety and efficacy, and its continually supplanting traditional IL platelet-raising drugs in clinical use. The Group estimates that the penetration rates for CIT and ITP indications in Mainland China are in the range of approximately 27% to 35%. In the first half of 2021, its market share for the treatment of thrombocytopenia in Mainland China was 29.4% in terms of sales volume and 72.3% in terms of sales value. For the phase III clinical trial of TPIAO in the pediatric ITP indication, the Group expects to complete patient enrollment in the second half of 2021. For TPIAO in surgery patients with hepatic dysfunction at the risk of thrombocytopenia, the Group is initiating a phase Ib/II trial. Outside of Mainland China, TPIAO has been approved in nine countries, including Ukraine, the Philippines and Thailand. Currently, the European filing for TPIAO has been initiated.

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6 Issued by the Chinese Society of Hematology of the Chinese Medical Association (the "**CMA**").

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

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

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

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

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

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. During the Reporting Period, the continuing sales growth of EPIAO was mainly derived from 1) the increase in the number of basic medical institutions covered; 2) inclusion in the National Essential Drug List, and the greater willingness for prescription at the grassroot level; and 3) the clinical edges over oral drugs in terms of cost effectiveness and safety. In Mainland China, for NuPIAO (SSS06), a second-generation long-acting rhEPO to treat anemia, the Group is currently planning for a phase III trial of the product, and expects to start patient enrollment before the end of 2021; and, 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 (Recombinant Human TNF-α Receptor II: IgG Fc Fusion Protein for Injection), is a TNF α inhibitor product. It was first launched in 2005 in Mainland China for 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 "**2018 China RA Guidance**"), an authoritative document issued by the CMA. In this Guidance, Yisaipu was adopted under 'TNF α inhibitors' as one of the RA treatment options, and TNF α inhibitors was deemed 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 TNF α inhibitor product in Mainland China, with a share of 31.5% in the Mainland China TNF α market in the first half of 2021. Yisaipu were sold in more than 3,200 hospitals in Mainland China, including more than 1,500 Grade III hospitals, in the first half of 2021. The Group believes that Yisaipu is still at an early stage of its product life cycle. According to the 2018 China RA Guidance, the usage rate of biologic DMARDs (Disease-Modifying Anti-Rheumatic Drugs) for treating RA in North America is 50.7%; while the usage rate in China is only 8.3% as found by a Chinese rheumatism registration study. Currently, the majority of the Group's sales of Yisaipu is generated from approximately 14% 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 Mainland China with the engineered Fc region and optimized production process. 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 "Guidelines of CSCO — Breast Cancer (2021 edition)", Inetetamab (Cipterbin) is a basic drug for the entire course of anti-HER2 therapy for patients with advanced breast cancer. 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 and "Experts Consensus for Diagnosis and Treatment of human epidermal growth factor receptor 2 positive breast cancer (2021 edition)" published in the National Medical Journal of China. In May 2021, the Group received an investigational new drug ("**IND**") approval from the NMPA to conduct phase I/II clinical trials of inetetamab (Company code: 302H) in combination with an anti-epidermal growth factor receptor ("**EGFR**") mAb (Company code: 602) in patients with HER2 positive, KRAS/NRAS/BRAF wild-type colorectal cancers. Patient enrollment is expected to start soon. In addition, the Group has submitted an IND application to the NMPA to conduct clinical trials of 302H in combination with IMM01, a CD47-targeting SIRPα -Fc fusion protein currently being developed by ImmuneOnco, in HER2 positive solid tumors.

Mandi

Mandi (蔓迪), generically known as minoxidil tincture, was launched in 2001 as the first over-the-counter (OTC) drug in Mainland China for androgenetic alopecia ("**AGA**") and alopecia areata. Minoxidil is the world's only topical OTC drug for male and female alopecia that is approved by the U.S. Food and Drug Administration ("**FDA**") as well as the PRC NMPA. The topical minoxidil can promote hair growth through: 1) promoting angiogenesis to increase regional blood supply and dilate scalp vascular, so as to improve microcirculation; 2) directly stimulating proliferation and differentiation of hair follicle epithelial cells to extend hair growth cycle; and 3) regulating the balance between calcium ion and potassium ion. In the "Guideline for Diagnosis and Treatment of Androgenetic Alopecia" issued by Chinese Medical Doctor Association, minoxidil receives the highest endorsement level, as it is superior to other AGA treatments in terms of anti-alopecia and improvement effects and safety.

According to CPA's data, Mandi has a market share of 71.5% in Mainland China in the first half of 2021, with a year-on-year growth of 102% in sales value. The sales coverage of Mandi currently extends to more than 2,000 medical institutions in Mainland China, and strategic cooperation with Yonghe Hair Transplant, a hair transplant chain, is established. Meanwhile, the sales channels of Mandi also cover nearly 40,000 retail pharmacies, as well as Internet sales platforms, such as Tmall and JD.com. The Group expects the following drivers in the future growth of Mandi: 1) continued growth of medical institutions. Mandi has been introduced into more than 700 active hair clinics in China and its coverage continues to expand. The medical institutions has seen Mandi's safety and effectiveness tested for more than ten years, with more than one million patients treated and the number increasing. The continuous building of hospital channels will enhance the professional status of

Mandi brand, and will also help to convert high loyalty customers for retail and e-commerce channels. In the first half of 2021, the revenue of Mandi from medical institutions accounted for approximately 20% of its total revenue, an increase of approximately 74% year-on-year; 2) expansion of coverage of retail pharmacies. As Mandi currently has low coverage in retail pharmacies, there is potential for improvement. In the first half of 2021, the revenue of Mandi from retail pharmacies accounted for approximately 25% of its total revenue, an increase of 233% year-on-year. It is expected that the coverage of retail pharmacies will be expanded through marketing activities; 3) online brand operation. Mandi has been launched in online stores such as AliHealth Pharmacy, JD Pharmacy and brand flagship stores. The digital marketing system accurately reaches and converts potential customers, and the refined operation in and outside websites will continuously boost consumption on e-commerce platforms. In the first half of 2021, the revenue of Mandi from e-commerce accounted for approximately 55% of its total revenue, an increase of 78% year-on-year; 4) potential launch of new product formulations. The 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 has been completed. If approved, Mandi will likely be the only minoxidil foam in the Mainland China market, which will significantly improve its market competitiveness.

In Mainland China, the current penetration rate of Mandi is only 1–2% among the 250 million hair loss population. The Group focuses on greater brand promotion of Mandi, to improve recognition of drug treatment effectiveness for hair loss. The Group believes that with greater promotion, the enhanced penetration rate will continue to expand the market potential of Mandi.

Remitch (*product candidate)

In July 2021, the Group announced that the randomized, double-blind, placebo-controlled multi-centered bridging clinical study on nalfuraphine hydrochloride orally disintegrating tablets (Company code: TRK-820) in collaboration with Toray Industries Inc. ("**Toray**") in Japan for treatment of maintenance hemodialysis patients with refractory pruritus has reached the preset clinical study endpoint. The Group expects that the new drug application will be submitted to the NMPA in the fourth quarter of 2021.

According to the results of the global survey DOPPS (Dialysis Outcomes and Practice Patterns Study), 82% of hemodialysis patients in Mainland China are suffering from skin itching in various degrees. Among them, the proportion of patients suffering from moderate or higher level of skin itching is as high as 39%, and patients suffering from severe or acutely severe skin itching are up to 19%. Pruritus and the accompanying persistent sleep obstacles have become one of the important causes of depression suffered by hemodialysis patients; there is also a clear correlation between the state of depression and the increased death rates in hemodialysis patients. At present, antihistamines are one of the most commonly used drugs for treatment of skin pruritus in China, but antihistamines are not effective enough for curing the pruritus contracted by hemodialysis patients suffering from pruritus, and using antihistamines alone is quite difficult to improve their quality of life. The therapeutic effect of other treatments ranging from local phototherapy to skin lubricants, topical hormones, oral gabapentin or pregabalin is also limited. For those hemodialysis patients who do not experience satisfactory results from such treatments for pruritus, there is presently no effective treatment method.

TRK-820 is a highly selective κ (kappa)-opioid receptor agonist developed by Toray. The soft capsule dosage-form of the TRK-820 has been launched in Japan since 2009 and Korea since 2016 to treat hemodialysis pruritus, which is limited to circumstances where current treatments do not produce satisfactory results. Additional indications of TRK-820, including pruritus in chronic liver disease patients and pruritus in peritoneal dialysis patients were approved in Japan in 2015 and 2017, respectively. The orally disintegrating tablet was approved and launched in Japan in 2017. The orally disintegrating tablet can be taken with or without water, which is particularly suitable for patients whose swallowing capabilities have deteriorated or those who have restrictions on water intake, and therefore is expected to improve drug intake compliance of patients. According to these study results, doses of 5μg and 2.5μg of nalfuraphine hydrochloride orally disintegrating tablets can safely improve the symptoms of hemodialysis patients with refractory pruritus when compared with the placebo. TRK-820 is the first domestic drug targeting pruritus of hemodialysis patients that is expected for an early market launch, and is expected to alleviate the pruritus symptoms of these patients and improve their quality of life, thereby bringing benefits to a large number of patients with refractory pruritus caused by hemodialysis in Mainland China.

CDMO Business

The Group's CDMO business currently consists of NMV Desen Biotech Co., Ltd. (瀋陽德生, "**Desen Biotech**"), Sunshine Guojian and Sirton Pharmaceuticals S.p.A. ("**Sirton**") (in Italy), all being the Group's subsidiaries. Among them, Desen Biotech has a total planned area of 500 Chinese mu, designed as a biopharmaceutical CDMO base, a manufacturing base of biopharmaceutical raw and auxiliary materials and consumables and a biopharmaceutical core process equipment base that are domestically-leading, oriented to the international market and are compliant with relevant Chinese, EU and U.S. Good Manufacturing Practice (GMP) regulations. The first phase of Desen Biotech covers an area of over 110 Chinese mu, and plans to establish a production line with 199,000 liters of stock solution and a cumulative capacity of 100 million doses/year for injections. It is expected that the first phase of 76,000 liters will be put into operation in 2022.

The CDMO production lines of the Group can support production of a range of biologics in three major expression systems of bacteria, yeast and eukaryotic cells, including mAb, bispecific antibody, neutralization antibody, vaccine and mRNA nucleic acid drugs, and can meet the requirements of clinical biologics from early sample structure analysis, cell banking and Chemistry Manufacturing and Control (CMC) services to mid-clinical stock solution production, formulation production, and post-approval commercial production. The production lines are equipped with reactors of various scales, with the specification of each stainless steed system ranging from 10L to 10KL, which can meet different demand scenarios from small batch sample testing at the R&D stage to mass commercial production. The total capacity of the production lines is more than 200 million doses of formulation, covering the main forms of biologics such as liquid vials, freeze-dry powder injections and pre-filled injections. The Group's CDMO lines have received GMP certifications in China, Brazil, Colombia, Ukraine, the EU and other countries; and have successfully passed all regulatory reviews, including multiple unannounced inspections, as well as quality audits by domestic and international customers.

The Group believes that it possesses various competitive advantages in the CDMO business, including the technological advantages associated with engaging in the whole process spanning from R&D to production of biopharmaceutical products over the years; the scalable cost advantages of a single 10,000-litre bioreactor for commercial production; the production cost advantages brought by the capability to manufacture raw materials such as culture medium and chroma-tographic filler; and the quality control management advantage with high level of automation. In the first half of 2021, the Group's CDMO business received orders of approximately RMB40.1 million from customers, including leading domestic and international pharmaceutical companies and biotechnology companies.

The Group boosts its revenue scale through strategic positioning in CDMO business, including potentially introducing strategic investors at an appropriate time in the future.

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 ("**VEGF**") antibody to treat AMD and other ophthalmological diseases), 602 (an anti-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-IL5 antibody to treat severe asthma), and 611 (an anti-IL4R 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 ("**HIF**") 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.

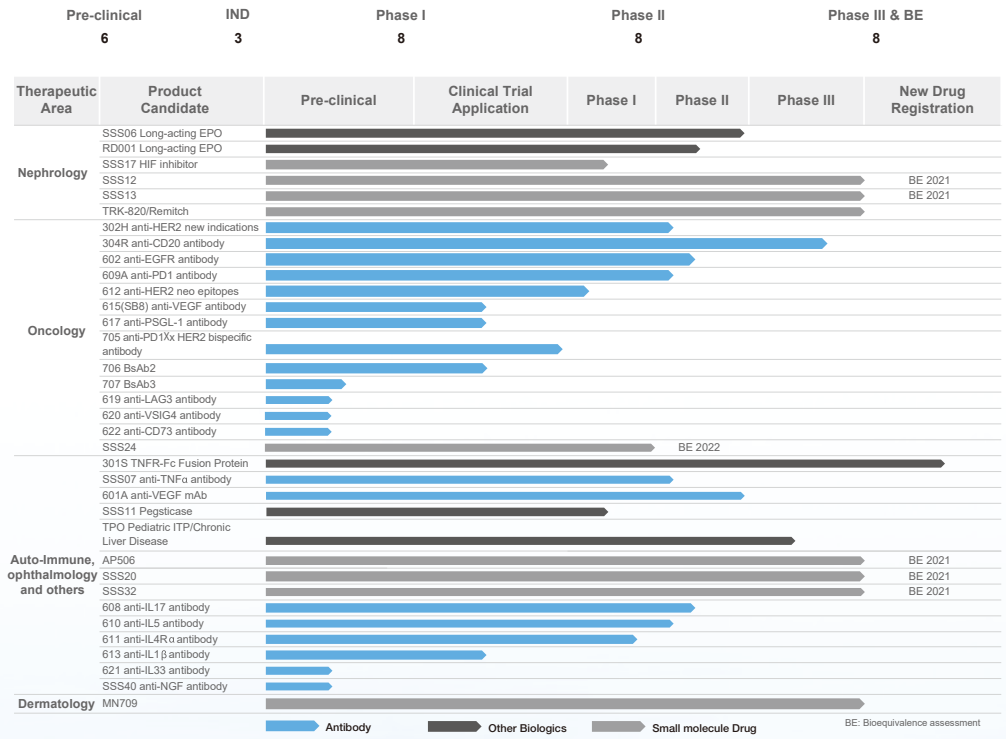
On the research front, the Group is developing a panel of novel biological products, including mAbs, bi-specific antibodies and fusion proteins, and a number of small molecule drugs, both innovative and generic, in the areas of oncology, autoimmune and inflammatory diseases, nephrology, ophthalmology and dermatological diseases. The Group expects to file multiple IND applications to both the U.S. FDA 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 nearly 600 experienced scientists, is working diligently to research and discover new medicines, to accelerate the progress of clinical development, and to bring breakthrough therapies to fulfill the unmet medical needs of patients.

Product Pipeline

As at 30 June 2021, amongst the 35 product candidates within the Group's active pipeline, 24 were being developed as innovative drugs in Mainland China. Out of these 35 product candidates, 21 are mAb or bi-specific antibodies, five are other biologic products, and nine are small molecule entities. The Group has 14 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 one product candidate in dermatology.

R&D Pipeline



Key Product Developments

— New Drug Application ("NDA") submission and phase III development

Anti-TNF α pre-filled aqueous injection solution of Yisaipu (301S): The Group has re-submitted a NDA application to the NMPA for manufacturing approval in July 2021. The application was accepted for review by the NMPA.

Narfuraphine hydrochloride (TRK820): As announced on 21 July 2021, the randomized, double-blind, placebo-controlled multi-centered bridging clinical study on narfuraphine hydrochloride orally disintegrating tablets for treatment of maintenance hemodialysis patients with refractory pruritus has reached the pre-set clinical study endpoint. The result indicates that the main efficacy indicators of the 5μg group and the 2.5μg group of this study have all been bridged successfully and these outcomes are consistent with the results of Japan's phase III trial. 3SBio expects that the new drug application will be submitted to the NMPA in the fourth quarter of 2021. TRK-820 is a highly selective κ (kappa)-opioid receptor agonist. In December 2017, Toray granted 3SBio the exclusive right to develop and commercialize TRK-820 (trade name in Japan: "Remitch®", as marketed since 2009) in Mainland China.

Minoxidil foam formulation (MN709): The Group has completed a randomized, double-blinded phase III study comparing head-to-head of MN709 to Rogaine® in male patients with hair loss. Data readout is expected in third quarter of 2021.

TPIAO (TPO): 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 half of 2021. A phase I clinical trial for TPIAO in surgery patients with chronic hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group is initiating a phase Ib/II trial.

Pegsiticase (SSS11): In the United States, the Group's business partner, Selecta Biosciences, Inc. (NASDAQ: SELB) ("**Selecta**"), has commenced the phase III clinical program of the combination therapy SEL-212 for treatment of chronic refractory gout. 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. The Group is currently conducting the phase I clinical trials for SSS11 in refractory gout patients with high uric acid level in China.

Anti-CD20 mAb (304R): The Group has completed the internal auditing of the participating clinical trial sites and data in the previously completed phase III trial and is finalizing the clinical study reports. The Group has completed a phase I head-to-head trial comparing 304R (Jiantuoxi) with rituximab (Rituxan®) in non-Hodgkin's lymphoma patients with zero tumour burden, with major endpoints of safety and pharmacokinetics. In parallel, the Group is planning to submit a pre-IND request to NMPA in the third quarter of 2021 for conducting a clinical trial of 304R in patients with pemphigus vulgaris.

— Phase II development

NuPIAO (EPO, SSS06): The Group has completed patient enrollment of a randomized phase II clinical trial, and expects a data readout by the fourth quarter of 2021. The Group is currently planning for a phase III trial of the product, and expects to start patient enrollment before the end of 2021.

Peg-EPO (RD001): The Group has completed a dose-escalating phase I safety and pharmacokinetics study of RD001 in healthy volunteers. Patient enrollment in a randomized phase II clinical trial is ongoing.

Anti-IL17A mAb (608): The Group has completed a dose-escalating phase I clinical trial of 608 in healthy volunteers. A phase II trial in patients with plaque psoriasis is currently ongoing. The Group expects to complete patient enrollment for part 1 of the trial in the third quarter of 2021.

Anti-IL5 mAb (610): A dose-escalating phase I trial in healthy volunteers has been completed. The Group expects to initiate phase Ib/II trials in asthma patients, and patient enrollment is starting soon.

Anti-TNF α mAb (SSS07): The Group has completed the phase I clinical trial of SSS07 in both healthy volunteers and RA patients, and has submitted an IND application for a phase II trial in patients with RA.

Anti-VEGF mAb (601A): The Group has completed two dose-escalating phase I/IIa clinical trials of 601A: one in AMD and the other in diabetic macular edema (DME) patients. The Group has since initiated three phase II trials in patients with branch retinal vein occlusion (BRVO), central RVO (CRVO) and pathologic myopia choroid neovascularization (pmCNV), respectively. Patient enrollment in the BRVO trial has been completed, whereas the enrollment of the other two trials is actively ongoing. The Group is also preparing to start phase II/III clinical trials of 601A in AMD and BRVO patients in the near future.

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

Anti-HER2 mAb (inetetamab, 302H): As announced on 13 May 2021, the Group received an IND approval from the NMPA to conduct phase I/II clinical trials of 302H in combination with 602 in patients with HER2 positive, KRAS/NRAS/BRAF wild-type colorectal cancers. Patient enrollment is expected to start soon. In addition, the Group has submitted an IND application to the NMPA to conduct clinical trials of 302H in combination with IMM01, a CD47-targeting SIRP α-Fc fusion protein currently being developed by ImmuneOnco, in HER2 positive solid tumors.

— Phase I development and new IND applications

Anti-PD1 mAb (609A): The Group has completed a US phase I trial of 609A in patients with various cancers. Patient enrollment in a phase I trial in China has also been completed. 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. To date, the Group has submitted several IND applications to NMPA for 609A in combination with 302H, bevacizumab, and/or chemotherapies in various cancer indications, including breast cancer, hepatocellular carcinoma, gastric cancer and soft tissue sarcomas.

Anti-IL4R α mAb (611): A dose-escalating phase I clinical trial in healthy volunteers has been completed in the United States. The Group is initiating phase Ib/II clinical trials in patients with atopic dermatitis in China, and patient enrollment is starting soon.

HIF-117 (SSS17): Patient enrollment is ongoing in a phase I clinical trial of SSS17 to treat anemia patients. SSS17 is a selective small molecule inhibitor to 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.

Anti-HER2 mAb (612): As announced on 7 May 2021, the Group received an IND approval from NMPA to conduct clinical trials of 612, a novel anti-HER2 mAb directed against different epitopes to those of trastuzumab and pertuzumab, to treat HER2 positive cancer patients. In preclinical studies, 612 has demonstrated significant synergistic antitumor activity when combined with 302H, trastuzumab, or a combination of 302H and pertuzumab. Patient enrollment is expected to start soon.

Anti-IL1 β mAb (613): As announced on 8 July 2021, the Group received two IND approvals from NMPA to conduct clinical trials of 613 to treat patients with juvenile idiopathic arthritis (JIA) and periodic fever syndromes, including cryopyrin-associated period syndromes (CAPS), tumor necrosis factor receptor-associated period syndromes (TRAPS), hyperimmunoglobulin D syndrome (HIDS)/Mevalonate kinase deficiency (MKD), and familial Mediterranean fever (FMF), respectively. Patient enrollment has commenced recently.

Anti-PD1 x anti-HER2 bispecific antibody (705): As announced on June 14, 2021, the Group received an IND approval from the U.S. FDA to conduct clinical trials of 705 in HER2 positive solid cancer patients. An IND application of 705 has been recently submitted to, and accepted for review by, the NMPA.

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 30 June 2021, the Group's extensive sales and distribution network in Mainland China was supported by approximately 2,793 sales and marketing employees, 722 distributors and 2,302 third-party promoters. In the first half of 2021, the Group's products were sold in over 2,500 Grade III hospitals and over 5,000 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

Since introducing the reform of the evaluation and approval of new drugs, there have been promising prospects in the biopharmaceuticals industry in China, with evidence of rapid growth. According to the data from the 2020 Annual Drug Evaluation Report, in 2020 there were 1,867 applications for new biopharmaceuticals registration, representing a year-on-year increase of 58.4%; as for the evaluation side, 500 IND applications for biopharmaceuticals were accepted in 2020, representing a year-on-year increase of 60.3%, while 89 NDA applications for biopharmaceuticals were approved, representing a year-on-year increase of 20.3%. It is expected that the number of clinical applications and approvals for domestic innovative drugs will further increase in 2021. According to the data from Frost & Sullivan, the market size of the biopharmaceuticals industry in China in 2020 was estimated to be around RMB400 billion, with a compound annual growth rate ("**CAGR**") of approximately 20% for the upcoming 5 years. However, when compared globally, the application rate of biologics remains at the initial stage in China. Therefore, the Group believes that the size of the biopharmaceuticals market in China will continue to escalate, with blockbuster drugs emerging. On the other hand, apart from relying on the significant growth in domestic demand, various domestic biopharmaceuticals are beginning to explore the international market. As represented by programmed cell death protein-1 (PD-1), many categories of good quality are reaching out to the global markets, joining in the competition and reaping the rewards.

The advancement in medical reform will place more emphasis on the clinical value of biopharmaceuticals. On 2 July and 8 July 2021, the Centre for Drug Evaluation of the PRC published exposure drafts for "Guidelines for clinical research and development of anti-tumor drugs driven by clinical value" (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》) and "Guidelines for research technologies for clinical pharmacology of biosimilars" (《生物類似藥臨床藥理學研究技術指導原則》), respectively, with the aim of emphasizing the principle of "driven by clinical value and centered on the need of patients" and emphasizing that drug innovation should not be limited to a "me-too" approach, where biotechnology and pharamaceutical companies merely imitate competitors' products. It aims to further enhance the quality of innovative drugs with focus on the development of new targets and new technologies, thereby truly serving the domestic underserved clinical demand by providing innovation with value.

National centralized drug procurement driven by NRDL is becoming inevitable, and the advantage in production capacity and cost for biopharmaceuticals will become eminent. Accompanied by the continuous increase in same targets and similar categories of biopharmaceuticals being launched, there is even overlapping in the R&D of certain targets and supply exceeding demand. Under the model of medical insurance payment in the domestic market, the competitiveness of biopharmaceuticals has gradually shifted to the commercialization stage. Admission to the NRDL, cost control, and sales team and internationalization capabilities will become key factors for evaluating the success of innovative drugs after launch.

In the area of consumer products, with the enhancement in the quality of life, there is significant demand for medical aesthetics in China, thereby creating great market potential for the growth of external OTC hair growth medicines. While there are more than 250 million people suffering from hair losses in China, we expect that with people's rising awareness of hair health, the scale of the hair growth market will continue to expand. Leveraging on the assured safety profile and efficacy of external hair growth medicines, these medicines will become an important player in the hair market. We believe that as the safety profile and efficacy of external OTC hair growth medicines have been validated by clinical tests over years, along with their ready availability, such products can enrich the treatment options for patients suffering from hair loss.

The Group has responded firmly to national guidance on independent innovation and further deepening of medical security. By adhering to the concept of "letting high quality drugs be generally available for patients", the Group continues to strengthen the commercialization and innovation capacities of its biopharmaceuticals, thereby promoting sustainable development of its performance in the long run. For its marketed products including TPIAO, EPIAO, SEPO and Yisaipu, the Group adheres to the strategy of deepening grassroot development and continues to pursue a wider patient coverage and actively respond to the adjustment of national medical insurance prices, while in a forward-looking strategy the Group builds large-scale biopharmaceutical production capacity to provide more supply at lower prices. As for market expectation for Mandi as a consumer product, the Group expects that with intensified market promotion for Mandi and leveraging on its advantageous position as a leading external OTC hair growth medicine with remarkable safety profile and efficacy, together with its extensive product specifications and restructured production capacity, it is possible for Mandi to achieve a higher penetration and sustain rapid performance growth.

Regarding the layout of R&D, the Group has consistently pursued excellence in innovation and technology. Its rich product portfolio comprises 35 pipeline candidates, with 24 candidates developed as innovative drugs. The Group continues to focus its resources on four major core therapeutical areas, which are oncology, autoimmune diseases, nephrology and dermatology. Among them, the autoimmune diseases segment includes anti-IL-4Rα antibody, anti-IL-5 antibody and anti-IL-17A antibody that rank in the first R&D echelon in China, while the oncology segment focuses on next generation bio-therapeutics, including programmed CAR-T cell therapeutics, immune checkpoint inhibitors, MCMs, bi-specific antibodies and other innovative antibody molecules, antibodies to novel targets, and multi-products combination therapies. The Group will continue to build up its in-house clinical development capacity and expedite the clinical progress in order to advance its integrative research capability on a highly focused basis.

The Group has always pursued external collaboration on the themes of "global innovation" and "field synergy". The Group seeks to cooperate with leading global technology platforms and biotechnology companies. With the development of more quality products through technology collaborations on one hand, the Group has also actively sourced and introduced high-quality drugs from across the world into China to satisfy the unmet clinical needs of domestic patients. The Group has established global product collaborations with its partners including Toray, Samsung Bioepis, Refuge Biotechnologies, Verseau, TLC, Numab, GenSight and Sensorion. The Group actively accelerates the clinical and commercial progress of in-licensed products nafurafil hydrochloride orally disintegrating tablets (TRK-820) and amphotericin B liposome (Ampholipad™) in China, in order to provide survival benefits to domestic patients on an early timetable. At the same time, the Group also deploys various overseas platforms as advance channel preparations for the future global commercialization of its products.

In the first half of 2021, although the effects of COVID-19 pandemic were significantly alleviated in China, the operations of the domestic market have yet to fully recover due to the impacts of overseas pandemic conditions and threat from viruses mutation, and therefore, business operations still face uncertainties, risks and challenges. Nevertheless, the Group will continue to operate in a prudent and positive manner. By drawing on the experiences of managing and operating in the new normalcy of the pandemic condition, the Group is working out more mature and systemic measures to ensure that its business and operations are moving forward on track, secured and strong.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group's revenue amounted to approximately RMB3,107.1 million, as compared to approximately RMB2,695.2 million for the six months ended 30 June 2020, representing an increase of approximately RMB412.0 million, or approximately 15.3%. The increase was mainly attributable to the strong sales growth of TPIAO, rhEPO products, Yisaipu and Mandi.

For the six months ended 30 June 2021, the Group's sales of TPIAO increased to approximately RMB1,521.4 million, as compared to approximately RMB1,374.7 million for the six months ended 30 June 2020, representing an increase of approximately RMB146.7 million, or approximately 10.7%. The increase was primarily attributable to an increase in sales volume. Sales of TPIAO was not severely affected by the outbreak of COVID-19 pandemic mainly due to the inelastic nature of the medical need of its target patients. For the six months ended 30 June 2021, sales of TPIAO accounted for approximately 49.0% of the Group's total revenue.

For the six months ended 30 June 2021, the Group's sales of EPIAO and SEPO increased to approximately RMB543.4 million, as compared to approximately RMB462.1 million for the six months ended 30 June 2020, representing an increase of approximately RMB81.3 million, or approximately 17.6%. The increase was primarily attributable to an 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 six months ended 30 June 2021, the Group's sales of EPIAO increased to approximately RMB404.5 million, as compared to approximately RMB350.7 million for the six months ended 30 June 2020, representing an increase of approximately RMB53.8 million, or approximately15.3%. For the six months ended 30 June 2021, the Group's sales of SEPO increased to approximately RMB138.9 million, as compared to approximately RMB111.4 million for the six months ended 30 June 2020, representing an increase of approximately RMB27.6 million, or approximately 24.8%. For the six months ended 30 June 2021, the sales of EPIAO and SEPO accounted for a total of approximately 17.5% of the Group's total revenue.

For the six months ended 30 June 2021, the Group's sales of Yisaipu increased to approximately RMB428.9 million, as compared to approximately RMB331.1 million for the six months ended 30 June 2020, representing an increase of approximately RMB97.8 million, or approximately 29.5%. The increase was mainly attributable to the increased sales volume which was driven by the price reduction since October 2020. For the six months ended 30 June 2021, the sales of Yisaipu accounted for approximately 13.8% of the Group's total revenue.

For the six months ended 30 June 2021, the Group's sales from alopecia area increased to approximately RMB266.2 million, as compared to approximately RMB132.7 million for the six months ended 30 June 2020, representing an increase of approximately RMB133.5 million, or approximately 100.7%. The increase was mainly attributable to the increased market demand for hair loss and growth treatments, which was driven by the Group's diversified and effective promotional efforts. For the six months ended 30 June 2021, the Group's sales of Mandi increased to approximately RMB258.0 million, as compared to approximately RMB128.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB129.2 million, or approximately 100.3%. For the six months ended 30 June 2021, the sales from alopecia area accounted for a total of approximately 8.6% of the Group's revenue.

For the six months ended 30 June 2021, the Group's revenue from CDMO business increased to approximately RMB40.1 million, as compared to approximately RMB36.6 million for the six months ended 30 June 2020, representing an increase of approximately RMB3.4 million, or approximately 9.4%. The increase was mainly attributable to the increased CDMO orders from customers.

For the six months ended 30 June 2021, the Group's other sales, primarily consisted of sales from license-in products, export sales and other products, decreased to approximately RMB307.1 million, as compared to approximately RMB358.0 million for the six months ended 30 June 2020, representing a decrease of approximately RMB50.9 million, or approximately 14.2%. The decrease was mainly due to the termination of the exclusive distribution rights in relation to Bydureon and Humulin and was partially offset by the launch of new products.

Cost of Sales

The Group's cost of sales increased from approximately RMB478.1 million for the six months ended 30 June 2020 to approximately RMB520.0 million for the six months ended 30 June 2021, which accounted for approximately 16.7% of the Group's total revenue for the same period. The primary reason for the increase in the Group's cost of sales was the increased sales volume for the six months ended 30 June 2021, as compared to the corresponding period in 2020.

Gross Profit

For the six months ended 30 June 2021, the Group's gross profit increased to approximately RMB2,587.1 million, as compared to approximately RMB2,217.1 million for the six months ended 30 June 2020, representing an increase of approximately RMB370.1 million, or approximately 16.7%. The increase in the Group's gross profit was broadly in line with its revenue growth during the period. The Group's gross profit margin increased to approximately 83.3% for the six months ended 30 June 2021 from approximately 82.3% for the corresponding period in 2020. The increase was mainly due to the sales growth of TPIAO, which had a higher gross profit margin, and the termination of the exclusive distribution rights in relation to Bydureon and Humulin, which had a lower profit margin than the Group's other businesses.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income, foreign exchange gain, fair value gain on deemed disposal of investment in associates and other miscellaneous income. For the six months ended 30 June 2021, the Group's other income and gains increased to approximately RMB159.2 million, as compared to approximately RMB96.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB62.4 million, or approximately 64.5%. The increase was mainly attributable to the increase in foreign exchange gain in 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff costs, transportation expenses and other miscellaneous selling and distribution expenses. For the six months ended 30 June 2021, the Group's selling and distribution expenses amounted to approximately RMB1,152.0 million, as compared to approximately RMB972.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB179.8 million, or approximately 18.5%. 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 increased from approximately 36.1% for the six months ended 30 June 2020 to approximately 37.1% for the six months ended 30 June 2021. The increase in the percentage of revenue was mainly due to the increased marketing expenses for new products promotion.

Administrative Expenses

The Group's administrative expenses consisted of staff costs, professional fees, depreciation and amortization, property expenses, share-based compensation, and other miscellaneous administrative expenses. For the six months ended 30 June 2021, the Group's administrative expenses amounted to approximately RMB167.4 million, as compared to approximately RMB148.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB18.6 million, or approximately 12.5%. The increase was mainly due to the increased professional fees and the ESOP expenses in 2021. Had the effects of the non-recurring items been excluded, the administrative expenses for the six months ended 30 June 2021 would have been approximately RMB150.6 million, as compared to approximately RMB138.5 million for the six months ended 30 June 2020, representing an increase of approximately RMB12.0 million, or approximately 8.7%. The administrative expenses (excluding the aforementioned non-recurring items) as a percentage of revenue was approximately 4.8% for the six months ended 30 June 2021 and approximately 5.1% for the six months ended 30 June 2020.

R&D Costs

The Group's R&D costs primarily consisted of staff costs, materials consumption, clinical trials costs, depreciation and amortisation, and other miscellaneous R&D expenses. For the six months ended 30 June 2021, the Group's R&D costs amounted to approximately RMB344.9 million, as compared to approximately RMB254.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB90.5 million, or approximately 35.6%. 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 accounted for approximately 11.1% of revenue for the six months ended 30 June 2021, as compared to approximately 9.4% for the corresponding period in 2020.

Other Expenses and Losses

The Group's other expenses and losses primarily consisted of donation expenses, provision for impairment of financial assets, and other miscellaneous expenses and losses. For the six months ended 30 June 2021, the Group's other expenses and losses amounted to approximately RMB7.5 million, as compared to approximately RMB58.3 million for the six months ended 30 June 2020, representing a decrease of approximately RMB50.7 million, or approximately 87.1%. The decrease was mainly due to the decrease in donation expenses after the price reduction of Yisaipu.

Finance Costs

For the six months ended 30 June 2021, the Group's finance costs amounted to approximately RMB32.3 million, as compared to approximately RMB43.6 million for the six months ended 30 June 2020, representing a decrease of approximately RMB11.3 million, or approximately 25.9%. The decrease was mainly due to the decrease in interest expenses with the repayment of bank borrowings and the lower interest cost with the 2025 Bonds. Excluding the non-cash interest expenses of the Bonds, the finance cost decreased from RMB7.3 million for the six months ended 30 June 2020 to approximately RMB1.7 million for the six months ended 30 June 2021, representing a decrease of approximately RMB5.7 million, or approximately 77.5%.

Income Tax Expense

For the six months ended 30 June 2021, the Group's income tax expense amounted to approximately RMB134.8 million, as compared to approximately RMB132.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB2.0 million, or approximately 1.5%. The increase was mainly due to the increase of the taxable income during the six months ended 30 June 2021, as compared to the corresponding period in 2020. The effective tax rates for the six months ended 30 June 2021 and the corresponding period in 2020 were 13.1% and 16.2%, respectively. The decrease in effective tax rate was mainly due to the decrease in offshore losses and the increase in deductible expenses, including 25% more allowed extra deduction of R&D expenses under the revised PRC tax regulation, for the six months ended 30 June 2021, as compared to those for the six months ended 30 June 2020.

Net Profit Attributable to Owners of the Parent and EBITDA

The net profit attributable to owners of the parent for the six months ended 30 June 2021 was approximately RMB898.9 million, as compared to approximately RMB702.5 million for the six months ended 30 June 2020, representing an increase of approximately RMB196.4 million, or approximately 28.0%. The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the 2022 Bonds and the 2025 Bonds; and (b) the expenses associated with the share options and awarded shares granted in February 2017 and March 2020; (c) the expenses associated with the share options under the ESOP of Sunshine Guojian; and (d) gain on deemed disposal of investment in associates. The Group's normalized net profit attributable to owners of the parent for the six months ended 30 June 2021 was approximately RMB929.8 million, as compared to approximately RMB749.0 million for the six months ended 30 June 2020, representing an increase of approximately RMB180.8 million, or approximately 24.1%.

The EBITDA for the six months ended 30 June 2021 increased by approximately RMB174.5 million or approximately 17.4% to approximately RMB1,177.4 million, as compared to approximately RMB1,002.9 million for the six months ended 30 June 2020. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the 2022 Bonds and the 2025 Bonds; (b) the expenses associated with the share options and awarded shares granted in February 2017 and March 2020; (c) the expenses associated with the share options under the ESOP of Sunshine Guojian; and (d) gain on deemed disposal of investment in associates. The Group's normalized EBITDA for the six months ended 30 June 2021 increased by approximately RMB128.2 million or approximately 12.2% to approximately RMB1,177.6 million, as compared to approximately RMB1,049.4 million for the six months ended 30 June 2020.

Earnings Per Share

The basic earnings per share for the six months ended 30 June 2021 was approximately RMB0.35, as compared to approximately RMB0.28 for the six months ended 30 June 2020, representing an increase of approximately 25%. The calculation of the normalized basic earnings per share amount is based on the normalized net profit attributable to owners of the parent for the six months ended 30 June 2021 and the weighted average ordinary shares of the Company in issue during the Reporting Period, as adjusted to reflect the issue of ordinary shares during the Reporting Period. The normalized basic earnings per share for the six months ended 30 June 2021 was approximately RMB0.36, as compared to approximately RMB0.30 for the six months ended 30 June 2020, representing an increase of approximately 20%.

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 six months ended 30 June 2021, the Group's other comprehensive income amounted to approximately RMB123.4 million, as compared to approximately RMB255.6 million for the corresponding period in 2020, representing a decrease of approximately RMB132.3 million, or approximately 51.7%. Notwithstanding the decrease in other comprehensive income, in the Reporting Period there was significant appreciation in the Group's equity investment designated at fair value, which comprised part of comprehensive investment income.

Financial Assets Measured at Fair Value

As at 30 June 2021, financial assets measured at fair value primarily comprised the investment in treasury or cash management products issued by certain banks, the investments in listed companies and the investments in private equity funds which focus on investment in health-care industry.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group's liquidity remained strong. For the six months ended 30 June 2021, the Group's operating activities generated a net cash inflow of approximately RMB811.5 million, as compared to approximately RMB708.2 million for the six months ended 30 June 2020, representing an increase of RMB103.3 million or approximately 14.6%. The increase was mainly attributable to the increased cash inflow from the sales of biopharmaceuticals. As at 30 June 2021, the Group's cash and bank balances and bank financial products were approximately RMB4,913.4 million.

Net Current Assets

As at 30 June 2021, the Group had net current assets of approximately RMB6,066.7 million, as compared to net current assets of approximately RMB5,229.0 million as at 31 December 2020. The current ratio of the Group increased from approximately 4.6 as at 31 December 2020 to approximately 5.5 as at 30 June 2021. The increase in net current assets and current ratio was mainly attributable to the net cash inflow in 2021.

Funding and Treasury Policies, Borrowing and Pledge of Assets

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

As at 30 June 2021, the Group had total interest-bearing bank borrowings of approximately RMB214.8 million, as compared to approximately RMB413.5 million as at 31 December 2020. The decrease in bank borrowings primarily reflected the repayment of loans of RMB360.0 million in 2021 that was largely offset by additional bank-borrowing of RMB162.3 million. Among the short-term deposits, none was pledged to secure bank loans as at 30 June 2021.

As at 30 June 2021, the Group had convertible bonds outstanding of approximately RMB2,387.8 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings (excluding the 2025 Bonds) by the total equity, decreased to approximately 1.5% as at 30 June 2021 from approximately 3.2% as at 31 December 2020. The decrease was primarily due to the movement of the equity, which was brought by the total comprehensive income.

Contingent Liabilities

As at 30 June 2021, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB1,518.9 million as at 30 June 2021, as compared to approximately RMB1,420.3 million as at 31 December 2020.

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 RMB20.1 million, or approximately 0.6% of the Group's revenue, for the six months ended 30 June 2021. Except for the operations of Sirton, the Group's exports, potential international deal-making expenditures (such as related to international licensing and acquisitions), and foreign currency denominated bank deposits and the Euro-denominated bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 30 June 2021, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately United States Dollar ("**USD**") 44.2 million (equivalent to approximately RMB285.3 million); (2) approximately Hong Kong Dollar ("**HKD**") 91.6 million (equivalent to approximately RMB76.2 million); and (3) approximately EUR27.6 million (equivalent to approximately RMB212.3 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 six months ended 30 June 2021, the Group did not have any significant investments.

Material Acquisitions and Disposals

Our Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2021.

Future Plans for Material Investments or Capital Assets

The Group estimates that the total capital expenditure of the Group for the next three years will be in the range of RMB2,000 million to RMB2,500 million. These expected capital expenditures will primarily be incurred for the expansion of the Group's production capabilities and the maintenance of the Group's existing facilities. The Group expects to finance its capital expenditures through a combination of internally generated funds, bank borrowings and equity financing.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2021, the Group employed a total of 5,232 employees, as compared to a total of 5,584 employees as at 31 December 2020. The staff costs, including Directors' emoluments but excluding any contributions to the pension scheme, were approximately RMB595.5 million for the six months ended 30 June 2021, as compared to approximately RMB555.1 million for the corresponding period in 2020. The Group generally formulated its employees' remuneration package to include salary, bonus, equity compensation, and allowance elements. The compensation programs were designed to remunerate the employees based on their performance, measured against specified objective criteria. The Group also provided the employees with welfare benefits in accordance with applicable regulations and the Group's internal policies. The Company has adopted a share option scheme, a share award scheme and other incentive schemes such as cash awards for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

KEY EVENTS AFTER THE REPORTING PERIOD

Aohai Arbitration

In July 2021, Aohai Biotechnology (Shanghai) Co., Ltd. ("**Aohai**") filed an arbitration application to Shanghai International Economic and Trade Arbitration Commission for a dispute in regard to its collaboration with Sunshine Guojian and the application has been accepted. Aohai requests an arbitration award to terminate its cooperation agreement with Sunshine Guojian signed in December 2015, and the amounts in dispute is RMB131.4 million. At present, both sides are in the process of preparing submissions and supporting documents.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer"as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2021.

THE BOARD AND ITS COMMITTEES

The compositions of the Board, the audit committee (the "**Audit Committee**"), the nomination committee and the remuneration committee of the Company are as set out in the "Corporate Information" section.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2021.

CHANGES TO INFORMATION REGARDING DIRECTORS AND CHIEF EXECUTIVES

Certain changes in Directors' information as pursuant to Rule 13.51B (1) of the Listing Rules are as follows:

- Dr. LOU Jing, chairman of the Board and chief executive officer of the Company, had resigned as chairman of the board of Guangdong Sciprogen Bio-pharmaceutical Technology Co., Ltd. (廣東賽保爾生物醫藥技術有限公司), an indirect wholly-owned subsidiary of the Company.

- Ms. SU Dongmei, an executive Director, was appointed as an executive director of Shenyang Jiasheng Agriculture Technology Co., Ltd. (瀋陽嘉生農業科技有限責任公司), an indirect wholly-owned subsidiary of the Company.

- Mr. TANG Ke, a non-executive Director, serves as a non-executive Director of Acotec Scientific Holdings Limited (先瑞達醫療科技控股有限公司), which was listed on the Stock Exchange (stock code 6669) on 24 August 2021.

- Dr. WONG Lap Yan, an independent non-executive Director, was appointed as an independent non-executive director of Hangzhou Bioer Technology Co., Ltd. that develops, manufactures and distributes polymerase chain reaction devices.

- Mr. PU Tianruo, an independent non-executive Director, had resigned as an independent non-executive director of (i) Renren Inc. (a company listed on the New York Stock Exchange with symbol RENN); (ii) Kaixin Auto (a company listed on the NASDAQ with symbol KXIN); and (iii) Luckin Coffee (a company previously listed on the NASDAQ with symbol LK).

- Mr. David Ross PARKINSON has retired from office as an independent non-executive Director following the Company's annual general meeting held on 29 June 2021.

- Ms. YANG, Hoi Ti Heidi was appointed as an independent non-executive Director with effect from the Company's annual general meeting held on 29 June 2021. For the biographical information regarding Ms. Yang, please refer to the Company's announcement dated 29 June 2021.

- Following the appointment of Ms. Yang as an independent non-executive Director, Ms. Yang was appointed as a member of the Audit Committee in replacement of Mr. HUANG Bin, a non-executive Director.

Other than above, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Board has established the Audit Committee which comprises the three independent non-executive Directors, namely Mr. PU Tianruo (chairman), Dr. WONG Lap Yan and Ms. YANG, Hoi Ti Heidi.

The Audit Committee, together with the management, has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021. The Audit Committee does not have any disagreement with any accounting treatment which had been adopted. The Audit Committee has also reviewed the effectiveness of the financial reporting, internal control and risk management systems of the Company and considers such systems to be effective and adequate.

In addition, the independent auditor of the Company, Ernst & Young, has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PURCHASE, SALE OR REDEMPTION BY THE COMPANY

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2021.

POST-IPO SHARE OPTION SCHEME

Pursuant to a written resolution passed by the then sole shareholder of the Company on 23 May 2015, the Company adopted a share option scheme pursuant to Chapter 17 of the Listing Rules (the "**Scheme**"). The details of the Scheme were disclosed in the Company's prospectus dated 1 June 2015 in the section headed "Statutory and General Information — 5. Post-IPO Share Option Scheme" in Appendix IV. Under the Scheme, the Company was authorised to issue up to 242,439,857 ordinary shares (subject to possible adjustments), which represented approximately 9.51% of the issued shares as at the date of this interim report. The purpose of the Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Unless approved by the shareholders in accordance with the terms of the Scheme, the total number of shares issued and to be issued upon exercise of the options granted and to be granted under the Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of shares in issue. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Scheme. A nominal consideration of RMB1.00 is payable upon acceptance of the grant of an option. For details, please refer to Appendix IV to the Company's prospectus dated 1 June 2015.

The Scheme will continue to be in effect for a term of ten years unless terminated sooner, and has a remaining term of approximately 3.5 years as at the date of this report. On 28 June 2016, the Company amended the Scheme to include nominees and/or trustees of employee benefit trusts set up for the employees of the members of the Group as participants eligible to participate in the Scheme.

The following share options were outstanding under the Scheme as of 30 June 2021:

	NUMBER OF SHARE OPTIONS										
NAME OR CATEGORY OF PARTICIPANT	AS AT 1 JAN 2021	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	FORFEITED/ CANCELLED DURING THE PERIOD	EXPIRED DURING THE PERIOD	AS AT 30 JUNE 2021	DATE OF GRANT OF SHARE OPTIONS	EXERCISE PERIOD OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS	PRICE OF THE COMPANY'S LISTED SHARES IMMEDIATELY BEFORE THE GRANT DATE OF OPTIONS	THE WEIGHTED AVERAGE CLOSING PRICE OF THE COMPANY'S LISTED SHARES IMMEDIATELY BEFORE THE EXERCISE DATES
The Empire Trust*	18,115,500	–	652,500	–	–	17,463,000	2 February 2017	From 2 August 2018 to 2 February 2027**	HKD7.62/ Share***	HKD7.37/Share	HKD10.84/ Share
Sum	**18,115,500**	**–**	**652,500**	**–**	**–**	**17,463,000**					

* The Empire Trust is a trust established by the Company for beneficiaries who are employees of the Company and its subsidiaries and affiliates, and any other persons as nominated from time to time by the advisory committee of The Empire Trust that is established with the authority of the Board.

** Share options granted are subject to vesting conditions.

*** "**Share(s)**" refer to ordinary share(s) in the share capital of the Company with a par value of USD0.00001 each.

Please refer to the Note 20 to the Unaudited Interim Condensed Consolidated Financial Information in this report for the accounting policy adopted for share options.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

(i) Interests in the Company

Name	Position	Nature of Interest	Number of Shares held	Approximate percentage of all Shares in Issue[1]
LOU Jing[2] (婁競)	Executive Director	Beneficial owner	660,000(L)	0.03%
		Beneficiary of a trust	50,174,510(L)	1.97%
		Other	476,774,553(L)	18.70%
			Total: 527,609,063(L)	20.70%
SU Dongmei[3] (蘇冬梅)	Executive Director	Interest in controlled corporation	24,384,630(L)	0.96%
		Beneficial owner	660,000(L)	0.03%
			Total: 25,044,630(L)	*0.98%
HUANG Bin[4] (黃斌)	Non-Executive Director	Interest in controlled corporation	32,197,350(L)	1.26%

Notes:

(L): denotes long position

*: Figures shown as total may not be an arithmetic aggregation of the figures being added up due to rounding adjustment.

(1) The calculation is based on the total number of 2,549,253,499 Shares in issue as at 30 June 2021.

(2) Dr. LOU Jing was granted 660,000 share options by the Company, representing 660,000 Shares upon full exercise. Dr. LOU Jing was a beneficiary under two unnamed trusts which were interested in 41,746,000 Shares and 8,428,510 Shares respectively. Further, Dr. LOU Jing was an enforcer and a beneficiary of an unnamed discretionary trust which was interested in 476,774,553 Shares. Therefore, Dr. LOU Jing was deemed to be interested in all such Shares as discussed in the foregoing. Note that 220,000 share options granted to Dr. LOU Jing subsequently lapsed on 2 August 2021 in accordance with the terms of grant.

(3) Ms. SU Dongmei directly holds the entire issued share capital of Joint Palace Group Limited ("**JPG**") and therefore, was deemed to be interested in the same number of the Shares in which JPG was interested (i.e. 24,384,630 Shares); and, Ms. SU Dongmei was granted 660,000 share options by the Company, representing 660,000 Shares upon full exercise. Note that 220,000 share options granted to Ms. SU Dongmei subsequently lapsed on 2 August 2021 in accordance with the terms of grant.

(4) Mr. HUANG Bin directly holds the entire issued share capital of Known Virtue International Limited ("**KVI**") and therefore, was deemed to be interested in the same number of the Shares in which KVI was interested (i.e. 32,197,350 Shares).

(ii) Interests in Associated Corporations

Name	Position	Associated Corporation	Nature of Interest	Number of Securities	Approximate Percentage of Outstanding Share Capital of the Associated Corporation[1]
LOU Jing (婁競)	Executive Director	Sunshine Guojian	Interest in controlled corporation	25,160,657[L][1]	4.54%
SU Dongmei (蘇冬梅)	Executive Director	Sunshine Guojian	Others[2]	200,000[L][2]	0.04%

Notes:

(L): denotes long position.

(1) The shares were allotted by Sunshine Guojian to Achieve Well International Limited, a company wholly-owned by Dr. LOU Jing, under the ESOP of Sunshine Guojian, for purposes of holding the awarded shares granted to Dr. LOU Jing. Upon completion of the offering of Sunshine Guojian on the Shanghai Stock Exchange on 22 July 2020 ("**Offering**"), the approximate percentage of Dr. LOU Jing's interest in the share capital of Sunshine Guojian was diluted to 4.08%. The change did not trigger a disclosure obligation under the SFO and therefore the information shown in the table as of 30 June 2021 reflects Dr. LOU Jing's interests position as required to be disclosed under the SFO.

(2) An ultimate beneficial owner of an interest in a fund (the "**Fund**") that is used for holding shares awarded under the ESOP of Sunshine Guojian, which directly holds the awarded shares for the ultimate benefit of Ms. SU Dongmei, being one of the grantees of the awarded shares that have been allotted to the Fund by Sunshine Guojian. Upon completion of the Offering, the approximate percentage of Ms. SU Dongmei's interest in the share capital of Sunshine Guojian was diluted from 0.036% to 0.032%. The change did not trigger a disclosure obligation under the SFO and therefore the information shown in the table as of 30 June 2021 reflects Ms. SU Dongmei's interests position as required to be disclosed under the SFO.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, to the best of the Directors' knowledge, the following persons (other than the Directors or chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Nature of Interest	Number of Shares held	Approximate percentage of all Shares in Issue[1]
Decade Sunshine Limited ("**DSL**")[2]	Beneficial owner	476,774,553[L]	18.70%
Century Sunshine Limited ("**CSL**")[2]	Interest in a controlled corporation	476,774,553[L]	18.70%
XING Lily[3]	Interest in a controlled corporation[2]	476,774,553[L]	18.70%
	Interest of spouse[3]	48,606,010[L]	1.91%
		Total: 525,380,563[L]	20.61%
Lambda International Limited[2]	Interest in a controlled corporation	476,774,553[L]	18.70%
TMF (Cayman) Ltd.[4]	Trustee	580,514,043[L]	22.77%
CS Sunshine Investment Limited[5]	Beneficial owner	472,212,360[L]	18.52%
CPEChina Fund, L.P.[5]	Interest in a controlled corporation	472,212,360[L]	18.52%
CITIC PE Associates, L.P.[5]	Interest in a controlled corporation	472,212,360[L]	18.52%
CITIC PE Funds Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.52%
CITICPE Holdings Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.52%
CLSA Global Investment Management Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.52%
CITIC Securities International Company Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.52%
CITIC Securities Company Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.52%
JPMorgan Chase & Co.	Interest in a controlled corporation	51,782,235[L]	2.03%
		41,443,747[S]	1.63%
	Investment manager	9,058,000[L]	0.36%
		27,000[S]	0.00%
	Person having a security interest in shares	69,204,885[L]	2.71%
	Approved lending agent	39,637,154[L]&[P]	1.55%
		Total: 169,682,274[L]	6.66%
		41,470,747[S]	1.63%
		39,637,154[P]	1.55%
BlackRock, Inc.	Interest in a controlled corporation	138,045,669[L]	5.42%
		8,500[S]	0.00%

Notes:

(L): denotes long position

(S): denotes short position

(P): denotes lending pool

(1) The calculation is based on the total number of 2,549,253,499 Shares in issue as at 30 June 2021.

(2) DSL was wholly-owned by CSL and therefore CSL was deemed to be interested in 476,774,553 Shares held by DSL; further, 42.60% and 35.65% of CSL were respectively controlled by Ms. XING Lily and Lambda International Limited, who were therefore deemed to be interested in such 476,774,553 Shares.

(3) Ms. XING Lily's spouse is Dr. LOU Jing.

(4) TMF (Cayman) Ltd. was the trustee with respect to four unnamed trusts, which respectively were interested in 476,774,553, 47,946,010, 18,276,500, and 37,516,980 Shares, as disclosed under the SFO, and therefore TMF (Cayman) Ltd. was deemed to be interested in all such Shares. With respect to certain changes in such trusts, given that the resulting change of total deemed interest of TMF (Cayman) Ltd. as a substantial shareholder, as a percentage of all Shares in issue, did not cross over whole percentage level, the change did not trigger a disclosure obligation under the SFO and therefore the information shown in the table as of 31 December 2020 reflects that of TMF (Cayman) Ltd.'s interests positions as required to be disclosed under the SFO.

(5) CS Sunshine Investment Limited was wholly-owned by CPEChina Fund, L.P. The general partner of CPEChina Fund, L.P. was CITIC PE Associates, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner was CITIC PE Funds Limited, an exempted company incorporated in the Cayman Islands with limited liability. CITICPE Holdings Limited exercised 100% control over CITIC PE Funds Limited. 35% of CITICPE Holdings Limited was controlled by CLSA Global Investment Management Limited, which therefore was deemed to be interested in the Shares in which CITICPE Holdings Limited was interested. CITIC Securities International Company Limited exercised 100% control over CLSA Global Investment Management Limited. CITIC Securities Company Limited exercised 100% control over CITIC Securities International Company Limited.

Save as disclosed above, as at 30 June 2021, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the Reporting Period was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONVERTIBLE BONDS

The 2022 Bonds

In July 2017, the Group, through Strategic International Group Limited ("**Strategic International**"), a direct wholly-owned subsidiary of the Company, conducted an international offering of Euro-denominated zero-coupon convertible bonds, or the 2022 Bonds (as defined above), in an aggregate principal amount of EUR300,000,000, due 2022, which was unconditionally and irrevocably guaranteed by the Company. The issue of the 2022 Bonds was completed on 21 July 2017. The information

regarding the 2022 Bonds is summarized in note 18 to the unaudited interim condensed consolidated financial information and the Company's announcements dated 12 July 2017, 13 July 2017 and 21 July 2017.

All the 2022 Bonds had been repurchased or redeemed as of 4 September 2020. With respect to the repurchases, redemption and delisting of the 2022 Bonds, please refer to the section headed "Management Discussion and Analysis — Business Review — Key Events— Repurchases and Redemption of Existing 2022 Bonds" in the 2020 Annual Report of the Company for more details.

Use of Proceeds of the 2022 Bonds

The net proceeds of approximately EUR295,898,164 represented a net issue price of approximately HKD14.04 per conversion share based on the initial conversion price of HKD14.28 per conversion share. As disclosed in the announcement of the Company dated 12 July 2017 in relation to the then proposed issue of the 2022 Bonds (the "**2022 Bonds Announcement**"), the net proceeds from the 2022 Bonds were proposed to be used for repaying the loans of the Group, future merger and acquisitions, R&D, purchase of operation facilities and other general corporate purposes. As at 30 June 2021, RMB1,863,556,000 of the proceeds of the 2022 Bonds were allocated or applied to repaying the loans of the Group, merger and acquisitions, purchase of operation facilities and other general corporate purposes.

It is estimated that the remaining balance of the proceeds of the 2022 Bonds, approximately RMB414,633,000, will be allocated or applied in accordance with the proposed uses as disclosed in the 2022 Bonds Announcement and is expected to be fully utilized in one to three years.

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.

The 2025 Bonds constitute direct, unconditional, unsubordinated and (subject to the provision relating to the negative pledge in respect thereof) unsecured obligations of Strategic International and shall rank pari passu and without any preference or priority among themselves. The successful issue of the 2025 Bonds signified the business and financial performance of the Company being recognized by the international capital market, which improved the liquidity position of the Group, reduced the financing costs of the Group and raised further working capital for the Company to facilitate the overall development and expansion of the Group.

Use of Proceeds of the 2025 Bonds

The net proceeds from the issuance of the 2025 Bonds (after deduction of commissions and other related expenses) are approximately EUR316,800,000. Such net proceeds were used to pay for the repurchase and the redemption of the 2022 Bonds.

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

2025 Bonds Conversion Price and Shares to be Issued upon Full Conversion

As at 30 June 2021, the outstanding principal amount of the 2025 Bonds was EUR320,000,000. As announced on 17 June 2020, the initial conversion price of the 2025 Bonds is HK$13.1750 per Conversion Share[12], which represents (i) a premium of approximately 25% over the closing price of HK$10.54 per Share 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 2020.

Assuming full conversion of the 2025 Bonds at the initial conversion price of HK$13.1750 per Conversion Share and there being no further issue of Shares, the 2025 Bonds will be convertible into approximately 212,035,521 Shares, representing approximately 8.32% of the issued share capital of the Company as at 30 June 2021 and approximately 7.68% of the issued share capital of the Company as at 30 June 2021 as enlarged by the issue of the Conversion Shares. The Company has a general mandate sufficient to cover the shares issueable upon full conversion of the 2025 Bonds.

The following table summarises the potential effects on the shareholding structure of the Company as a result of the full conversion of the 2025 Bonds:

	As at 30 June 2021		Assuming the 2025 Bonds are fully converted at the initial conversion price	
Name of Shareholders	Number of Shares	Approximate % of total issued Shares[4]	Number of Shares	Approximate % of enlarged issued Shares[4]
DSL[1]	476,774,553	18.70%	476,774,553	17.27%
CS Sunshine Investment Limited	472,212,360	18.52%	472,212,360	17.10%
Hero Grand Management Limited[2]	50,174,510	1.97%	50,174,510	1.82%
Directors[3]	136,188,960	5.34%	136,188,960	4.93%
Other public shareholders	1,413,903,116	55.47%	1,413,903,116	51.20%
Bondholders	–	–	212,035,521	7.68%
Total	2,549,253,499	100%	2,761,289,020	100%

[12] "**Conversion Share(s)**" refers to the Share(s) 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.

Notes:

(1) DSL is a company controlled by Dr. LOU Jing.

(2) Hero Grand Management Limited is owned by an unnamed trust that is owned as to 100% by TMF (Cayman) Ltd. as the trustee, and Dr. LOU Jing (Chairman of the Board) is the settlor and a beneficiary of the trust. As at 30 June 2021, Hero Grand Management Limited held approximately 1.97% of the total issued share capital of the Company, of which 1.64% was held on trust for Dr. LOU Jing and 0.33% was held by itself.

(3) To the best knowledge of the Company based on information available to the Company, the Directors (other than Dr. LOU Jing), together with a relevant former director, held approximately 5.34% of the total issued share capital of the Company in aggregate as at 30 June 2021.

(4) The percentages are subject to rounding difference, and figures shown as totals may not be an arithmetic aggregation of the figures being aggregated, if any.

Independent Review Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the board of directors of 3SBio Inc.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 39 to 59, which comprises the condensed consolidated statement of financial position of 3SBio Inc. (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
25 August 2021

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	4	**3,107,135**	2,695,177
Cost of sales		**(519,991)**	(478,097)
Gross profit		**2,587,144**	2,217,080
Other income and gains	5	**159,186**	96,756
Selling and distribution expenses		**(1,152,026)**	(972,266)
Administrative expenses		**(167,382)**	(148,788)
Research and development costs		**(344,851)**	(254,348)
Other expenses	6	**(7,539)**	(58,279)
Finance costs	7	**(32,333)**	(43,624)
Share of profits and losses of:			
A joint venture		**(1,278)**	138
Associates		**(15,068)**	(18,093)
PROFIT BEFORE TAX	6	**1,025,853**	818,576
Income tax expense	8	**(134,828)**	(132,829)
PROFIT FOR THE PERIOD		**891,025**	685,747
Attributable to:			
Owners of the parent		**898,908**	702,482
Non-controlling interests		**(7,883)**	(16,735)
		891,025	685,747
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	10	**RMB0.35**	RMB0.28
— Diluted	10	**RMB0.34**	RMB0.27

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	**891,025**	685,747
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(16,347)**	40,214
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(16,347)**	40,214
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**140,041**	219,591
Income tax effect	**(344)**	(4,197)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**139,697**	215,394
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**123,350**	255,608
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,014,375**	941,355
Attributable to:		
Owners of the parent	**1,022,258**	958,090
Non-controlling interests	**(7,883)**	(16,735)
	1,014,375	941,355

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**3,042,384**	2,621,379
Right-of-use assets		**393,603**	358,013
Goodwill		**3,886,331**	3,918,921
Other intangible assets		**1,851,258**	1,898,478
Investment in a joint venture		**5,667**	6,945
Investments in associates		**748,608**	749,722
Equity investments designated at fair value through other comprehensive income		**674,347**	897,717
Long-term receivables		**—**	2,200
Prepayments, other receivables and other assets		**308,859**	325,628
Deferred tax assets		**228,490**	219,282
Total non-current assets		**11,139,547**	10,998,285
CURRENT ASSETS			
Inventories	12	**681,498**	619,508
Trade and notes receivables	13	**1,224,097**	982,965
Prepayments, other receivables and other assets		**582,659**	587,917
Financial assets at fair value through profit or loss		**1,881,897**	1,272,862
Pledged deposits	14	**111,864**	125,823
Cash and cash equivalents	14	**2,919,683**	3,090,835
Total current assets		**7,401,698**	6,679,910

Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	15	**214,946**	203,286
Other payables and accruals	16	**842,350**	786,746
Deferred income		**34,155**	36,113
Interest-bearing bank and other borrowings	17	**150,133**	360,151
Lease liabilities		**9,293**	7,007
Tax payable		**84,089**	57,618
Total current liabilities		**1,334,966**	1,450,921
NET CURRENT ASSETS		**6,066,732**	5,228,989
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,206,279**	16,227,274
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	**64,626**	53,315
Lease liabilities		**33,601**	32,219
Convertible bonds	18	**2,387,750**	2,461,427
Deferred income		**319,403**	308,460
Deferred tax liabilities		**266,194**	272,242
Other non-current liabilities		**6,052**	6,276
Total non-current liabilities		**3,077,626**	3,133,939
Net assets		**14,128,653**	13,093,335
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	**156**	155
Share premium		**4,341,223**	4,297,946
Other reserves		**7,391,136**	6,391,213
		11,732,515	10,689,314
Non-controlling interests		**2,396,138**	2,404,021
Total equity		**14,128,653**	13,093,335

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Equity component of convertible bonds RMB'000	Statutory surplus reserves RMB'000	Retained earnings RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	155	4,297,946	347,076	110,744	723,523	4,981,375	197,089	31,406	10,689,314	2,404,021	13,093,335
Profit for the period	–	–	–	–	–	898,908	–	–	898,908	(7,883)	891,025
Other comprehensive income for the period:											
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	139,697	–	139,697	–	139,697
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(16,347)	(16,347)	–	(16,347)
Total comprehensive income for the period	–	–	–	–	–	898,908	139,697	(16,347)	1,022,258	(7,883)	1,014,375
Transfer to statutory reserves	–	–	–	–	93,279	(93,279)	–	–	–	–	–
Equity-settled share incentive scheme (Note 20)	–	–	16,810	–	–	–	–	–	16,810	–	16,810
Shares issued upon exercise of share options and awarded shares (Note 20)	1	43,277	(39,145)	–	–	–	–	–	4,133	–	4,133
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	–	–	–	–	–	173,826	(173,826)	–	–	–	–
At 30 June 2021 (unaudited)	156	4,341,223	324,741	110,744	816,802	5,960,830	162,960	15,059	11,732,515	2,396,138	14,128,653

Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2021

	Attributable to owners of the parent											
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Equity component of convertible bonds RMB'000	Statutory surplus reserves RMB'000	Retained earnings RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	155	–	4,307,795	245,619	47,133	580,540	4,287,551	1,052	155,196	9,625,041	734,278	10,359,319
Profit for the period	–	–	–	–	–	–	702,482	–	–	702,482	(16,735)	685,747
Other comprehensive income for the period:												
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	215,394	–	215,394	–	215,394
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	40,214	40,214	–	40,214
Total comprehensive income for the period	–	–	–	–	–	–	702,482	215,394	40,214	958,090	(16,735)	941,355
Transfer to statutory reserves	–	–	–	–	–	68,910	(68,910)	–	–	–	–	–
Shares repurchased	–	(11,223)	–	–	–	–	–	–	–	(11,223)	–	(11,223)
Shares cancelled	–	11,223	(11,223)	–	–	–	–	–	–	–	–	–
Equity-settled share incentive scheme (Note 20)	–	–	–	10,253	–	–	–	–	–	10,253	–	10,253
Shares issued upon exercise of share options (Note 20)	–	–	461	(144)	–	–	–	–	–	317	–	317
Issue of convertible bonds (Note 18)	–	–	–	–	111,172	–	–	–	–	111,172	–	111,172
Repurchase of convertible bonds	–	–	–	428	(17,463)	–	–	–	–	(17,035)	–	(17,035)
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	100,000	100,000
At 30 June 2020 (unaudited)	155	–	4,297,033	256,156	140,842	649,450	4,921,123	216,446	195,410	10,676,615	817,543	11,494,158

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,025,853**	818,576
Adjustments for:			
Finance costs	7	**32,333**	43,624
Gain on repurchase of convertible bonds	5	**—**	(2,465)
Gain on deemed disposal of investments in associates	5	**(16,610)**	(625)
Dividend income from an equity investment at fair value through other comprehensive income	5	**(4,016)**	—
Share of profits and losses of a joint venture and associates		**16,346**	17,955
Interest income	5	**(46,078)**	(36,795)
Foreign exchange differences	5	**(57,441)**	(4,792)
Charge of share-based compensation costs	6	**16,810**	10,253
Depreciation of property, plant and equipment	6	**89,147**	92,664
Amortisation of other intangible assets	6	**59,811**	74,305
Depreciation of right-of-use assets	6	**10,763**	7,556
Amortisation of long-term deferred expenses	6	**5,611**	2,976
Recognition of deferred income		**(17,416)**	(20,667)
Provision for impairment of trade receivables	6	**4,010**	3,389
(Reversal of provision)/provision for impairment of other receivables	6	**(5,816)**	1,352
(Reversal of provision)/provision for impairment of long-term receivables	6	**(2,800)**	3,459
Reversal of provision for impairment of inventories		**(4,902)**	(329)
Loss on disposal of items of property, plant and equipment	6	**524**	2,452
		1,106,129	1,012,888
Increase in inventories		**(57,087)**	(37,329)
(Decrease)/increase in pledged deposits		**13,393**	(4,655)
Increase in trade and notes receivables		**(245,137)**	(167,520)
(Decrease)/increase in prepayments and other receivables		**75,385**	(6,707)
Increase in trade and bills payables		**11,661**	16,435
Increase/(decrease) in other payables and accruals		**31,111**	(31,026)
Cash generated from operations		**935,455**	782,086
Income tax paid		**(123,958)**	(73,849)
Net cash flows from operating activities		**811,497**	708,237

Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**42,992**	24,518
Purchase of items of property, plant and equipment	**(468,474)**	(309,869)
Purchase of financial assets at fair value through profit or loss	**(3,332,972)**	(8,050,218)
Proceeds from disposal of financial assets at fair value through profit or loss	**2,723,937**	7,723,060
Purchase of equity investments designated at fair value through other comprehensive income	**(27,446)**	(26,835)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	**383,939**	5,952
Additions to other intangible assets	**(15,714)**	(25,709)
Proceeds from prior disposal of a subsidiary	**5,000**	—
Repayment of loans from related parties	**—**	10,474
Addition to right-of-use assets	**(46,353)**	—
Loans to third parties	**(61,291)**	(16,194)
Government grants received	**30,217**	7,160
Proceeds from disposal of property, plant and equipment	**166**	182
Net cash flows used in investing activities	**(765,999)**	(657,479)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**4,133**	317
Proceeds from issue of convertible bonds	**—**	2,522,045
Repurchases of convertible bonds	**—**	(937,745)
Acquisition of treasury shares	**—**	(11,223)
Decrease in pledged deposits	**565**	4,524
Repayments of bank borrowings	**(360,000)**	(489,395)
Proceeds from bank borrowings	**162,298**	462,000
Capital injection from non-controlling shareholders	**—**	100,000
Principal portion of lease payments	**(8,391)**	(3,011)
Interest paid	**(1,552)**	(6,834)
Net cash flows (used in)/from financing activities	**(202,947)**	1,640,678
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(157,449)**	1,691,436
Cash and cash equivalents at beginning of period	**3,090,835**	2,082,847
Effect of foreign exchange rate changes, net	**(13,703)**	18,824
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,919,683**	3,793,107

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2021, the Company and its subsidiaries were principally engaged in the development, production, marketing and sale of biopharmaceutical products in the mainland area ("**Mainland China**") of the People's Republic of China (the "**PRC**").

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 Changes in accounting policies and disclosures (continued)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

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. In March 2021, the International Accounting Standards Board issued another amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the "**2021 Amendment**"). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

During the six months ended 30 June 2021, 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.

3. 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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	**3,053,540**	2,623,503
Others	**53,595**	71,674
	3,107,135	2,695,177

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

(b) Non-current assets

	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	**8,198,512**	7,822,314
Others	**2,038,198**	2,056,772
	10,236,710	9,879,086

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 period.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of biopharmaceuticals	**3,067,085**	2,658,574
Contract development and manufacturing operation business	**40,050**	36,603
	3,107,135	2,695,177

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of biopharmaceuticals	**3,067,085**	2,658,574
Contract development and manufacturing operation business	**40,050**	36,603
Total revenue from contracts with customers	**3,107,135**	2,695,177
Geographical markets		
Mainland China	**3,053,540**	2,623,503
Others	**53,595**	71,674
Total revenue from contracts with customers	**3,107,135**	2,695,177
Timing of revenue recognition		
Goods transferred at a point in time	**3,100,627**	2,694,353
Services transferred over time	**6,508**	824
Total revenue from contracts with customers	**3,107,135**	2,695,177

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	**46,078**	36,795
Dividend income from an equity investment at fair value through other comprehensive income	**4,016**	—
Government grants related to		
— Assets	**14,522**	15,805
— Income	**7,457**	26,555
Others	**13,062**	9,719
	85,135	88,874
Gains		
Foreign exchange differences, net	**57,441**	4,792
Gain on deemed disposal of investments in associates	**16,610**	625
Gain on repurchase of convertible bonds	**—**	2,465
	74,051	7,882
	159,186	96,756

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**514,736**	477,423
Cost of service provided	**5,255**	674
Depreciation of items of property, plant and equipment	**89,147**	92,664
Amortisation of other intangible assets	**59,811**	74,305
Depreciation of right-of-use assets	**10,763**	7,556
Amortisation of long-term deferred expenses	**5,611**	2,976
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**522,428**	501,881
Equity-settled compensation expenses	**16,810**	10,253
Pension scheme contributions	**37,746**	15,396
Social welfare and other costs	**56,249**	42,984
	633,233	570,514
Other expenses and losses:		
Donation	**8,739**	46,313
Loss on disposal of items of property, plant and equipment	**524**	2,452
(Reversal of provision)/provision for impairment of long-term receivables	**(2,800)**	3,459
Provision for impairment of trade receivables	**4,010**	3,389
(Reversal of provision)/provision for impairment of other receivables	**(5,816)**	1,352
Others	**2,882**	1,314
	7,539	58,279

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**565**	7,059
Interest on convertible bonds	**30,683**	36,289
Interest on lease liabilities	**1,085**	276
	32,333	43,624

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 for the six months ended 30 June 2021 as the Group had no assessable profits arising in Hong Kong.

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

Shenyang Sunshine, Sunshine Guojian, NERC, Sciprogen and Zhejiang Wansheng, which are qualified as High and New Technology Enterprises, were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2021.

8. INCOME TAX (continued)

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

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current	**150,428**	154,279
Deferred	**(15,600)**	(21,450)
Total tax charge for the period	**134,828**	132,829

9. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Proposed and declared dividend	**–**	–

No dividends were declared or paid by the Company during the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the six months ended 30 June 2021 attributable to ordinary equity holders of the parent of RMB898,908,000 (for the six months ended 30 June 2020: RMB702,482,000) and the weighted average of 2,545,337,013 (for the six months ended 30 June 2020: 2,538,953,324) ordinary shares of the Company in issue during the reporting period, as adjusted to reflect the issue of ordinary shares during the reporting period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**898,908**	702,482
Interest on convertible bonds	**30,683**	36,289
Gain on repurchase of convertible bonds	**—**	(2,465)
Profit attributable to ordinary equity holders of the parent before interest and gain on convertible bonds	**929,591**	736,306

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (continued)

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period used in the basic earnings per share calculation	**2,545,337,013**	2,538,953,324
Effect of dilution — weighted average number of ordinary shares:		
Share options	**818,823**	4,375,294
Awarded shares	**8,305,556**	—
Convertible bonds	**212,035,522**	188,083,823
	2,766,496,914	2,731,412,441

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Carrying amount at 1 January	**2,621,379**	1,988,793
Additions	**515,550**	819,359
Depreciation provided during the period/year	**(89,147)**	(185,524)
Disposals	**(690)**	(3,647)
Exchange realignment	**(4,708)**	2,398
Carrying amount at 30 June / 31 December	**3,042,384**	2,621,379

A freehold land with a carrying amount of approximately RMB3,914,000 as at 30 June 2021 (31 December 2020: RMB4,087,000) is located in Italy.

The Group is in the process of applying for the title certificates of certain of its buildings with an aggregate book value of approximately RMB11,354,000 as at 30 June 2021 (31 December 2020: RMB11,276,000). The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2021.

At 30 June 2021, certain of the Group's land and buildings, which had an aggregate carrying amount of approximately RMB2,687,000 (31 December 2020: RMB2,806,000) and RMB12,345,000 (31 December 2020: RMB13,583,000) respectively, were pledged to secure general banking facilities granted to the Group (note 17).

12. INVENTORIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Raw materials	**217,427**	203,605
Work in progress	**311,804**	262,651
Finished goods	**109,306**	125,735
Consumables and packaging materials	**44,002**	33,460
	682,539	625,451
Impairment	**(1,041)**	(5,943)
	681,498	619,508

13. TRADE AND NOTES RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	**1,209,873**	912,431
Notes receivables	**70,658**	122,964
	1,280,531	1,035,395
Provision for impairment of trade receivables	**(56,434)**	(52,430)
	1,224,097	982,965

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.

13. TRADE AND NOTES RECEIVABLES (continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	**1,162,318**	865,350
1 to 2 years	**6,691**	8,214
Over 2 years	**40,864**	38,867
	1,209,873	912,431

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	**2,918,975**	3,090,128
Restricted cash	**708**	707
Pledged deposits	**111,864**	125,823
	3,031,547	3,216,658
Less:		
Pledged deposits	**(111,864)**	(125,823)
Cash and cash equivalents	**2,919,683**	3,090,835

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

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The Group's cash and cash equivalents and deposits as at 30 June 2021 are denominated in the following currencies:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Denominated in:		
— RMB	**2,457,737**	2,738,328
— Hong Kong Dollar ("**HKD**")	**76,210**	18,083
— United States Dollar ("**USD**")	**285,281**	227,954
— Euro ("**EUR**")	**212,317**	232,291
— Great Britain Pound	**2**	2
	3,031,547	3,216,658

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 RMB111,864,000 (31 December 2020: RMB125,823,000) have been pledged to secure letters of credit and bank acceptance bills as at 30 June 2021.

15. TRADE AND BILLS PAYABLES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	**180,271**	176,735
3 to 6 months	**27,425**	21,093
Over 6 months	**7,250**	5,458
	214,946	203,286

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

16. OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Accrued selling and marketing expenses	**409,556**	279,488
Accrued salaries, bonuses and welfare expenses	**116,855**	167,135
Contract liabilities	**21,159**	33,733
Taxes payable (other than income tax)	**42,538**	49,860
Payable to vendors of property, plant and equipment and other intangible assets	**154,102**	128,074
Others	**98,140**	128,456
	842,350	786,746

Other payables are non-interest-bearing.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current		
Bank loans — unsecured	**150,133**	360,151
Non-current		
Bank loans — unsecured	**30,038**	30,042
Bank loans — secured	**34,588**	23,273
Convertible bonds (note 18)	**2,387,750**	2,461,427
	2,452,376	2,514,742
Total	**2,602,509**	2,874,893

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**150,133**	360,151
In the second year	**—**	—
In the third to fifth years, inclusive	**64,626**	53,315
	214,759	413,466

Notes:

(a) For the six months ended 30 June 2021,the bank borrowings bear interest at fixed interest rates ranging from 2.75% to 4.20% (31 December 2020: 2.75% to 4.20%) per annum.

(b) Certain of the Group's bank borrowings are secured by mortgages over the Group's land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB2,687,000 (31 December 2020: RMB2,806,000) and RMB12,345,000 (31 December 2020: RMB13,583,000), respectively.

(c) As at 30 June 2021, except for secured bank borrowings of RMB34,588,000 (31 December 2020: RMB23,273,000) 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.

18. CONVERTIBLE BONDS

On 29 June 2020, Strategic International Group Limited ("**Strategic International**"), a direct wholly-owned subsidiary of the Company, issued Euro-denominated zero-coupon convertible bonds (the "**2025 Bonds**") with a nominal value of EUR320,000,000. The 2025 Bonds are guaranteed by the Company and convertible at the option of the bondholders into ordinary shares with the initial conversion price of HKD13.1750 per share at any time on or after 9 August 2020 and up to the close of business on the date falling seven days prior to 29 June 2025. The 2025 Bonds are redeemable at the option of the bondholders at a 1.5% gross yield upon early redemption.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The 2025 Bonds have been split into the liability and equity components as follows:

	RMB'000 (Unaudited)
Nominal value of convertible bonds issued at 29 June 2020	2,547,520
Equity	(111,172)
Direct transaction costs attributable to the liability component	(25,475)
Liability component at the issuance date	2,410,873
Interest accrual	30,592
Exchange realignment	19,962
Liability component at 31 December 2020	2,461,427
Liability component at 1 January 2021	**2,461,427**
Interest accrual	**30,683**
Exchange realignment	**(104,360)**
Liability component at 30 June 2021 (note 17)	**2,387,750**

19. SHARE CAPITAL

Shares	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Issued and fully paid:		
2,549,253,499 (31 December 2020: 2,543,600,999) ordinary shares	**156**	155

A summary of movements in the Company's issued share capital for the six months ended 30 June 2021 is as follows:

	Number of shares in issue	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Ordinary shares of USD0.00001 each at 31 December 2020 and 1 January 2021	**2,543,600,999**	**155**	**4,297,946**	**4,298,101**
Shares issued upon exercise of share options and awarded shares	**5,652,500**	**1**	**43,277**	**43,278**
Ordinary shares of USD0.00001 each at 30 June 2021	**2,549,253,499**	**156**	**4,341,223**	**4,341,379**

20. SHARE INCENTIVE SCHEME

Share option scheme adopted by the Company

On 26 September 2016, a total of 20,000,000 share options, each of which entitles the holders to subscribe for one ordinary share of the Company at an exercise price of HKD9.10, under the post-IPO share option scheme of the Company adopted on 23 May 2015 and 28 June 2016 (the "**Share Option Scheme**"), were granted to TMF (Cayman) Ltd. ("**TMF**"), as the trustee of The Empire Trust (the "**Grantee**"), a trust established by the Company for the beneficiaries who are executive directors and employees of the Group and its holding companies, and any other persons as nominated from time to time by the advisory committee of the Grantee that is established with the authority of the board of the directors of the Company. The share options will vest and become exercisable upon meeting certain vesting conditions. If the vesting conditions are not met, the share options will lapse.

On 2 February 2017, the Company and the Grantee had agreed that the grant of 20,000,000 share options which was approved by the board of the Company on 22 September 2016 was cancelled at nil consideration. By the date of cancellation, no beneficiary had been nominated by the advisory committee of the Grantee and no options had been designated to any beneficiary, and thus the Group did not recognise any share-based payment expenses in relation to the cancelled 20,000,000 share options. On the same date, a total of 20,000,000 share options, each of which entitles the holders to subscribe for one ordinary share of the Company at an exercise price of HKD7.62 (which is the highest of the closing price of HKD7.30 per share and the average closing price of HKD7.62 per share), were granted to TMF, as the trustee of the Grantee under the Share Option Scheme for the benefits of the designated beneficiaries. The share options will vest and become exercisable upon meeting certain vesting conditions. If the vesting conditions are not met, the share options will lapse.

The fair value of the share options at the grant date is estimated using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The contractual life of each option granted is ten years. There is no cash settlement of the share options.

At the date of approval of the unaudited interim condensed financial information, the Company had 16,561,000 share options outstanding under the Share Option Scheme, which represented approximately 0.65% of the Company's shares in issue as at that date.

There were no share options granted during the period (for the six months ended 30 June 2020: Nil). The Group has recorded share-based payment expenses of RMB2,487,000 in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB2,874,000).

Share options exercisable for 652,500 ordinary shares were exercised at an exercise price of HKD7.62 per share during the period, resulting in the issue of 652,500 ordinary shares of the Company and new share capital and share premium of RMB42 and RMB4,132,000, respectively, as further detailed in note 19 to the unaudited interim condensed consolidated financial information (for the six months ended 30 June 2020: resulting in the issue of 45,500 ordinary shares of the Company and new share capital and share premium of RMB3 and RMB461,000, respectively).

20. SHARE INCENTIVE SCHEME (continued)

Share award scheme adopted by the Company

As part of the Group's initiatives to recognise the contributions of the selected participants, attract suitable personnel and provide the selected participants with a direct economic interest in attaining a long-term relationship between the Group and the selected participants, on 23 March 2020, the board of the directors of the Company approved the adoption of the share award scheme to grant 9,885,448 shares to 32 employees of the Group. The share award will vest and become exercisable upon meeting certain vesting conditions. If the vesting conditions are not met, the share award will lapse.

The fair value of the share award at the grant date is estimated using a binomial option pricing model, taking into account the terms and conditions upon which the share award were granted. The contractual life of each share award granted is ten years. There is no cash settlement of the share award. The fair value of the share award granted on 23 March 2020 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	—
Expected volatility (%)	44.83
Risk-free interest rate (%)	0.86
Discounts for the lack of marketability (%)	17.00
Expected contractual life of share options (years)	10.00
Underlying share price (RMB)	5.12

At the date of approval of the unaudited interim condensed financial information, the Company had 9,885,448 share award outstanding under the share award scheme, which represented approximately 0.39% of the Company's shares in issue as at that date.

The Group has recorded share-based payment expenses of RMB10,091,000 in the unaudited interim condensed consolidated statement of profit or loss for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB7,379,000).

Restricted shares incentive plan adopted by Sunshine Guojian

As part of the Group's initiatives to recognise the contributions of the selected participants, attract suitable personnel and provide the selected participants with a direct economic interest in attaining a long-term relationship between the Group and the selected participants, on 8 April 2021, the board of the directors of Sunshine Guojian approved the adoption of the restricted shares incentive plan to grant 2,243,500 restricted shares to 139 employees of Sunshine Guojian at RMB4 per share. Vesting conditions upon which the restricted shares will vest and become exercisable by batch include revenue growth rate and the progress of research and development programs from 2021 to 2023. If the vesting conditions are not met, the restricted shares will lapse.

20. SHARE INCENTIVE SCHEME (continued)

Restricted shares incentive plan adopted by Sunshine Guojian (continued)

The fair value of the restricted shares at the grant date is estimated using a binomial option pricing model, taking into account the terms and conditions upon which the restricted shares were granted. There is no cash settlement of the restricted shares.

At the end of the reporting period, the Sunshine Guojian had 2,243,500 restricted shares outstanding under the restricted shares incentive plan, which represented approximately 0.36% of Sunshine Guojian's shares in issue as at that date. The Group had recorded share-based payment expenses of RMB4,232,000 in the unaudited interim condensed consolidated statement of profit or loss for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

21. COMMITMENTS

The Group had the following capital commitments as at 30 June 2021:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	**1,052,192**	953,631
Capital contribution payable to funds	**466,667**	466,667
	1,518,859	1,420,298

22. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Company	Relationship
Century Sunshine Limited ("**Century Sunshine**")	Ultimate shareholder of the Company
Sunshine Bio-Pharmaceutical Fund	Joint venture
Shenyang Sunshine Logistics	Joint venture
Dalian Huansheng Medical Investment Co., Ltd. ("**Dalian Huansheng**")	Under control of certain middle management personnel of the Company
Liaoning Sunshine Technology Development Co., Ltd. ("**Liaoning Sunshine Technology**")	A subsidiary of Dalian Huansheng
Zhejiang Sunshine Pharmaceutical Co., Ltd. ("**Zhejiang Sunshine**")	Under control of certain middle management personnel of the Company
Medical Recovery Limited ("**Medical Recovery**")	Under control of directors of the Company

(a) The Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Convertible loan including interest to Zhejiang Sunshine	(i)	**6,826**	38,297
Loans to Liaoning Sunshine Technology	(ii)	**34,117**	33,481
Loans to Dalian Huansheng	(iii)	**11,305**	10,870
Loans to Zhejiang Sunshine	(iv)	**91,290**	63,829
Loans to Medical Recovery	(v)	**217,356**	228,754
Loan from Century Sunshine	(vi)	**—**	71,855

22. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following transactions with related parties during the period: (continued)

Notes:

(i) On 29 March 2016, Shenyang Sunshine made to Zhejiang Sunshine, a related party which was under control of certain middle management personnel of the Company, a convertible loan with a principal amount of RMB75,000,000 at an annual interest rate of 8%. The convertible loan can be converted into equity interests in Zhejiang Sunshine at the discretion of Shenyang Sunshine. In 2017, Zhejiang Sunshine had repaid the principal amount of RMB50,000,000. Pursuant to supplemental agreements dated 29 June 2018 and 29 June 2020, the maturity dates were extended to 29 June 2020 and 30 June 2021, respectively. In 2020, Zhejiang Sunshine had repaid the principal amount of RMB25,000,000 and Shenyang Sunshine exempted Zhejiang Sunshine from interest amounting to RMB6,826,000. The accrued interest for the six months ended 30 June 2021 was nil (for the six months ended 30 June 2020: RMB481,000).

(ii) On 20 June 2019, Sciprogen provided a loan, the principal amount being RMB32,200,000, to Liaoning Sunshine Technology at an interest rate of 3.92% per annum with the maturity date on 20 June 2021. The accrued interest for the six months ended 30 June 2021 was RMB597,000 (for the six months ended 30 June 2020: RMB629,000). On 17 June 2021, Liaoning Sunshine Technology repaid the loan principal of RMB32,200,000 to Sciprogen.

On 24 June 2021, Guangdong Sunshine Pharmaceutical Co., Ltd. provided a loan, the principal amount being RMB16,100,000, to Liaoning Sunshine Technology at an interest rate of 3.65% per annum with the maturity date on 23 June 2021.

(iii) It represents a loan to Dalian Huansheng with the principal amount of RMB10,000,000 and maturity date on 27 May 2022. The interest rate is 4.35% per annum. The accrued interest for the six months ended 30 June 2021 was RMB218,000 (for the six months ended 30 June 2020: RMB218,000).

(iv) On 25 September 2018, Shenyang Sunshine provided a loan to Zhejiang Sunshine with the principal amount of RMB30,000,000 and the maturity date was on 25 September 2020. The interest rate is 3.48% per annum. During the year ended 31 December 2020, Zhejiang Sunshine repaid the loan principal of RMB30,000,000 to Shenyang Sunshine. The accrued interest for the six months ended 30 June 2021 was nil (for the six months ended 30 June 2020: RMB1,044,000).

On 8 August 2019, Shenyang Sunshine provided an entrusted loan, the principal amount being RMB30,000,000, to Zhejiang Sunshine at an annual interest rate of 3.48% per annum with the maturity date on 7 August 2021. The accrued interest for the six months ended 30 June 2021 was RMB522,000 (for the six months ended 30 June 2020: RMB522,000).

On 30 November 2020, Shenyang Sunshine provided an entrusted loan, the principal amount being RMB55,000,000, to Zhejiang Sunshine at an annual interest rate of 3.15% per annum with the maturity date on 11 November 2021. The accrued interest for the six months ended 30 June 2021 was RMB866,000 (for the six months ended 30 June 2020: Nil).

On 8 August 2018, Shanghai Xingsheng Pharmaceutical Company Limited provided a loan of RMB1,100,000 to Zhejiang Sunshine with no maturity date and interest.

(v) It represents a loan to Medical Recovery with the principal amount of USD30,000,000 and maturity date on 17 July 2023. The interest rate is 4% per annum. The accrued interest for the six months ended 30 June 2021 was RMB2,934,000 (for six month ended 30 June 2020: RMB4,534,000).

(vi) On 29 December 2014 and 9 January 2015, Century Sunshine provided loans of USD12,700,000 and USD3,100,000 to Hongkong Sansheng Medical Limited (hereinafter collectively referred to as the "**Hongkong Sansheng**"). Hongkong Sansheng repaid Century Sunshine USD5,500,000 during 2017, which was equivalent to RMB37,135,000. During the six months ended 30 June 2020, Hongkong Sansheng repaid Century Sunshine the remaining of USD10,300,000 entirely, which was equivalent to RMB71,855,000.

22. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Due from related parties		
Current portion		
Medical Recovery	**215,192**	214,202
Zhejiang Sunshine	**67,650**	68,985
Liaoning Sunshine Technology	**15,939**	16,072
Directors and senior management	**—**	5,607
Dalian Huansheng	**—**	2,382
	298,781	307,248

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	**5,671**	6,884
Pension scheme contributions	**359**	280
Equity-settled compensation expenses	**204**	552
	6,234	7,716

22. RELATED PARTY TRANSACTIONS (continued)

(d) Liaoning Sunshine Technology entered into a lease agreement with Shenyang Sunshine Logistics Co., Ltd. to lease certain warehouse and related equipment. During the six months ended 30 June 2021, the depreciation charged for the right-of-use assets and the accretion of interest of lease liability recognised amounted to RMB1,313,000 and RMB700,000, respectively. Payments of lease liability during the six months ended 30 June 2021 amounted to RMB4,057,000.

(e) Liaoning Sunshine Technology entered into an agreement with Dalian Huansheng to entrust Dalian Huansheng as an agent for certain of the Group's products. The Group had recorded the expenses associated with this agreement of RMB3,993,000 in the statement of profit or loss and paid RMB2,234,000 to Dalian Huansheng during the six months ended 30 June 2021. Outstanding balance due from Dalian Huansheng was nil (31 December 2020: RMB1,759,000).

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	**30 June 2021 RMB'000 (Unaudited)**	31 December 2020 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	**674,347**	897,717	**674,347**	897,717
Financial assets at fair value through profit or loss	**1,881,897**	1,272,862	**1,881,897**	1,272,862
Long-term receivables	**—**	2,200	**—**	2,200
	2,556,244	2,172,779	**2,556,244**	2,172,779
Financial liabilities				
Interest-bearing bank and other borrowings: non-current	**64,626**	53,315	**63,090**	51,307
Lease liabilities	**33,601**	32,219	**33,601**	32,219
Convertible bonds	**2,387,750**	2,461,427	**2,387,750**	2,461,427
	2,485,977	2,546,961	**2,484,441**	2,544,953

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's finance team headed by the finance director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance director reports directly to the chief financial officer. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with senior management twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

The fair values of the non-current portion of interest-bearing bank and other borrowings, lease liabilities and convertible bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2021 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") multiple and price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent treasury or cash management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market approach	Discount for lack of marketability	30 June 2021: -10% to 10% (31 December 2020: -10% to 10%)	10% (31 December 2020: 10%) increase/decrease in discount would result in decrease/increase in fair value of RMB3,788,000 and RMB3,099,000, respectively (31 December 2020: RMB3,788,000 and RMB3,099,000, respectively).

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	**377,403**	**—**	**—**	**377,403**
Unlisted equity investments	**—**	**—**	**296,944**	**294,098**
Financial assets at fair value through profit or loss:				
Treasury or cash management products	**—**	**1,881,897**	**—**	**1,881,897**
	377,403	**1,881,897**	**296,944**	**2,553,398**

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	630,195	—	—	630,195
Unlisted equity investments	—	—	267,522	267,522
Financial assets at fair value through profit or loss:				
Treasury or cash management products	—	1,272,862	—	1,272,862
	630,195	1,272,862	267,522	2,170,579

The movements in fair value measurements within Level 3 during the period are as follows:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Equity investments at fair value through other comprehensive income:		
At 1 January	**267,522**	174,070
Purchases	**27,446**	26,835
Disposal	**(9,154)**	(5,952)
Total gains recognised in other comprehensive income	**14,075**	22,816
Exchange realignment	**(2,945)**	537
At 30 June	**296,944**	218,306

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).

24. EVENTS AFTER THE REPORTING PERIOD

Shandong Beiyao Lukang Pharmaceutical Technology Co., Ltd. ("**Shandong Beiyao**") filed a lawsuit in March 2020, requesting the court to order Sciprogen 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 and further changed to RMB62,575,446 on 13 July 2021.

On 13 July 2021, the above case came to the court trial and still pending at the date of approval of this unaudited interim condensed consolidated financial information. After making overall analysis and consulting with lawyers for professional opinions, the management of the Group considers that the above pending lawsuit have no material impact on the unaudited interim condensed consolidated financial information of the Group at the end of the reporting period.

In July 2021, Aohai Biotechnology (Shanghai) Co., Ltd. ("**Aohai**") filed an arbitration application to Shanghai International Economic and Trade Arbitration Commission for a dispute in regard to its collaboration with Sunshine Guojian and the application has been accepted. Aohai requests an arbitration award to terminate its cooperation agreement with Sunshine Guojian signed in December 2015, and the amounts in dispute is RMB131.4 million. At present, both sides are in the process of preparing submissions and supporting documents.

25. APPROVAL OF ISSUANCE OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 25 August 2021.