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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **3SBio Inc.**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Securities and Futures Commission, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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三生制药  
3SBIO INC.

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1530)**

**(Convertible Bonds Code: 40285)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF SALE SHARES BY MIGHTY DECADE AND OFF-MARKET SHARE BUY-BACK BY THE COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company**

**Deutsche Bank**   
**德意志銀行**

**Deutsche Bank AG, Hong Kong Branch**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 21 of this circular. A letter from the Independent Board Committee is set out on pages 22 and 23 of this circular. A letter from Altus Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 47 of this circular.

A notice convening the EGM to be held at No. 3 A1, Road 10, Shenyang Economy and Technology Development Zone, Shenyang, People's Republic of China on Monday, 10 January 2022 at 9 a.m. (or any adjournment thereof) is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed on the form as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment of the EGM (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment of the EGM (as the case may be) should you so wish. **The Company strongly recommends you closely monitor the development of the situation with the novel coronavirus pneumonia (COVID-19) and to assess, based on the social distancing policies, the necessity for attending the EGM in person.**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following words and expressions shall have the meanings ascribed to them below:*

“2022 Bonds”	Euro-denominated zero-coupon convertible bonds in an aggregate principal amount of EUR300,000,000 due 2022;
“2025 Bonds”	Euro-denominated zero-coupon convertible bonds in an aggregate principal amount of EUR320,000,000 due 2025;
“Announcement”	the announcement of the Company dated 13 December 2021 in relation to, among others, amendments to the terms of the Share Award Scheme, the Proposed Share Buy-back and the Proposed Trust’s Acquisition;
“Award(s)”	an award or awards of Shares by the Board to eligible selected participant(s) pursuant to the terms of the Share Award Scheme from time to time;
“Board”	the board of Directors;
“business day(s)”	a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which the Stock Exchange is generally open for transaction of business and banks are generally open for business in Hong Kong;
“Buy-back Shares”	85,760,087 Shares, representing approximately 3.4% of the total number of issued Shares of the Company, beneficially owned by CS Sunshine and to be transferred to the Company for cancellation pursuant to the terms and conditions of the Share Buy-back Agreement;
“Buy-back Code”	the Code on Share Buy-backs issued by the SFC;
“Company”	3SBio Inc., a company incorporated in Cayman Islands with limited liability under the laws of the Cayman Islands, the ordinary shares of which are listed on the Stock Exchange (Stock Code: 1530);
“Company’s Concert Group”	refers to, collectively, Dr. Lou Jing, Mr. Tan Bo (a former Director), Ms. Su Dongmei, Mr. Huang Bin, and certain trusts established by some of them as settlors, and their respective controlled corporations, including Lambda International Limited, Century Sunshine Limited, Decade Sunshine Limited, Hero Grand Management Limited, Honor Success Holdings Limited, Triple Talent Enterprises Limited, Joint Palace Group Limited, Known Virtue International Limited, Universal Vintage Limited, Medical Recovery Limited and Mighty Decade and parties acting in concert with any of them;

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## DEFINITIONS

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“Completion”	completion of the Proposed Share Buy-back and the Proposed Trust’s Acquisition in accordance with the terms and conditions of the Share Buy-back Agreement and Sale and Purchase Agreement, respectively, which are inter-conditional upon each other;
“Completion Date”	the third business day after all the conditions under the Sale and Purchase Agreement or the Share Buy-back Agreement (as the case may be) have been fulfilled, or, where applicable, waived in accordance with the respective agreements or such other date as the parties to the respective agreements may agree in writing;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“COVID-19”	the pandemic of coronavirus disease 2019;
“CS Sunshine”	CS Sunshine Investment Limited, a company incorporated in the British Virgin Islands, an existing substantial shareholder of the Company holding approximately 18.72% of the total issued Shares;
“CS Sunshine Concert Group”	CS Sunshine and any of its associates and parties acting in concert with it;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve, amongst other things, the Share Buy-back Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Encumbrance”	mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegates;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors namely, Mr. R Pu Tianruo, Dr. Wong Lap Yan and Ms. Yang Hoi Ti Heidi, all of whom are not involved in the Share buy-back and the Proposed Trust’s Acquisition, for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the Proposed Share Buy-back, the Share Buy-back Agreement, the Proposed Trust’s Acquisition and the Sale and Purchase Agreement;
“Independent Financial Adviser”	Altus Capital Limited is a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance;
“Independent Shareholder”	Shareholder(s) of the Company other than (i) CS Sunshine Concert Group; (ii) the Company’s Concert Group; and (iii) any other Shareholder(s) who has a material interest in the Share Buy-back Agreement, the Proposed Share Buy-back, the Sale and Purchase Agreement and/or the Proposed Trust’s Acquisition which is different from the interests of all other Shareholders;
“Latest Practicable Date”	17 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Last Trading Day”	10 December 2021, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of the Announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long Stop Date”	31 January 2022 (or any such later date as the parties to the Share Buy-back Agreement and the Sale and Purchase Agreement may agree in writing);
“Material Adverse Change”	any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on the ability of CS Sunshine to perform its obligation under the Share Buy-back Agreement and/or the Sale and Purchase Agreement;
“Mighty Decade”	Mighty Decade Limited, a company incorporated in the British Virgin Islands as a holding company of the Trust under the Share Award Scheme;
“Proposed Share Buy-back”	the possible purchase of the Buy-back Shares by the Company for the cancellation pursuant to the terms and conditions of the Share Buy-back Agreement, which constitutes an off-market share buy-back by the Company pursuant to the Buy-back Code;

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## DEFINITIONS

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“Proposed Trust’s Acquisition”	the possible purchase of the Sale Shares by Mighty Decade for employee incentive purposes pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Relevant Period”	the period commencing 6 months preceding the date of the Announcement and up to and including the Latest Practicable Date;
“Reserved Award Sums”	the amount, as determined by the Board from time to time to be applied for the purchase or subscription and/or allocation of the Reserved Shares
“Reserved Shares”	the Shares purchased or subscribed by the Trustee and reserved for the Award(s) as may be granted in future to the selected participant(s);
“SFC”	Securities and Futures Commission;
“Sale and Purchase Agreement”	the sale and purchase agreement described in the section headed “The Sale and Purchase Agreement” of this circular;
“Sale Shares”	40,357,688 Shares, representing approximately 1.6% of the total number of issued Shares of the Company, beneficially owned by CS Sunshine and to be transferred to Mighty Decade pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Share(s)”	ordinary share(s) in the capital of the Company with a par value of US\$0.00001 each;
“Shareholder(s)”	shareholders of the Company;
“Share Award Scheme”	the share award scheme adopted by the Board on 16 July 2019, as amended on 12 December 2021;
“Share Buy-back Agreement”	the share buy-back agreement described in the section headed “The Share Buy-back Agreement” of this circular;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“The Empire Trust”	a trust established for incentive purposes under the share options scheme of the Company adopted on 23 May 2015 and amended on 28 June 2016, with Universal Vintage Limited incorporated as a holding company of the trust;
“Trust”	the trust constituted by the trust deed to service the Share Award Scheme; and
“%”	per cent.

*Certain figures included in this circular have been rounded to the nearest integer or to two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.*

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## LETTER FROM THE BOARD

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**三生制药**  
**3SBIO INC.**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1530)**

**(Convertible Bonds Code: 40285)**

***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

***Registered Office:***

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

***Principal place of business in Hong Kong:***

31/F, Tower Two, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

22 December 2021

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF SALE SHARES BY MIGHTY DECADE AND OFF-MARKET SHARE BUY-BACK BY THE COMPANY**

#### **INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Sale and Purchase Agreement and the Share Buy-back Agreement.

The purpose of this circular is to provide the Shareholders with further information in respect of resolutions regarding the terms of the Sale and Purchase Agreement and the Share Buy-back Agreement and details of the Proposed Trust's Acquisition and the Proposed Share Buy-back to be proposed at the EGM to enable the Shareholders to make their informed decisions as to how to vote at the EGM.

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## LETTER FROM THE BOARD

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### THE PROPOSED TRUST'S ACQUISITION

On 12 December 2021, Mighty Decade, the holding company of the Trust under the Share Award Scheme, and CS Sunshine entered into the Sale and Purchase Agreement, pursuant to which Mighty Decade has conditionally agreed to acquire and CS Sunshine has conditionally agreed to dispose of the Sale Shares, free from Encumbrances, together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the Completion Date, for the total consideration of HK\$273,625,124.64, equivalent to HK\$6.78 per Sale Share.

#### The Sale and Purchase Agreement

##### *Parties*

- (1) Mighty Decade, as the purchaser; and
- (2) CS Sunshine, as the seller

##### *Number of Sale Shares*

The number of Sale Shares is 40,357,688, representing approximately 1.6% of the total number of issued Shares of the Company, and representing approximately 8.55% of the Shares currently held by CS Sunshine in the Company.

##### *Consideration*

The total consideration for the Proposed Trust's Acquisition is HK\$273,625,124.64, equivalent to HK\$6.78 per Sale Share, and is payable by way of bank transfer. The consideration for the Sale Shares was determined based on the arm's length commercial negotiations between the Company and CS Sunshine, taking into account the movements in the price of the Shares over a period of time, the prevailing market conditions, and the closing price of the Shares on the Last Trading Day.

The consideration for each Sale Share is HK\$6.78, representing:

- (a) the closing price of HK\$6.78 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 0.62% over the average closing price of HK\$6.74 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 1.01% over the average closing price of HK\$6.71 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 0.06% over the average closing price of HK\$6.776 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 1.17% to the average closing price of HK\$6.86 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;



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## LETTER FROM THE BOARD

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- (f) a discount of approximately 6.29% to the average closing price of HK\$7.24 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (g) a discount of approximately 12.98% to the average closing price of HK\$7.79 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (h) a premium of approximately 22.38% over the unaudited consolidated net asset value per Share attributable to Shareholders as at 30 June 2021 of approximately HK\$5.54 per Share<sup>1</sup>; and
- (i) a premium of approximately 35.31% over the audited consolidated net asset value per Share attributable to Shareholders as at 31 December 2020 of approximately HK\$5.01 per Share<sup>2</sup>.

The original average purchase cost of the Sale Shares to CS Sunshine was HK\$1.3888 per Share.

*Note:*

- (1) The unaudited consolidated net assets per Share attributable to equity holders of the Company as at 30 June 2021 was approximately RMB4.61, which was calculated based on the unaudited consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2021 of approximately RMB11,732,515,000, and on the basis that the weighted average number of ordinary Shares in issue was 2,545,337,013 during the six months ended 30 June 2021. For illustration purposes only, the amount denominated in RMB has been converted into HK\$ at an exchange rate of RMB1.00 to HK\$1.2018 as at 30 June 2021.
- (2) The audited consolidated net assets per Share attributable to equity holders of the Company as at 31 December 2020 was approximately RMB4.22, which was calculated based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2020 of approximately RMB10,689,314,000, and on the basis that the weighted average number of ordinary Shares in issue was 2,534,742,913 for the year ended 31 December 2020. For illustration purposes only, the amount denominated in RMB has been converted into HK\$ at an exchange rate of RMB1.00 to HK\$1.1882 as at 31 December 2020.

The consideration for the Proposed Trust's Acquisition will be satisfied by the internally generated funds of the Company.

**Conditions**

Completion will be conditional upon the satisfaction of, amongst others, the following conditions:

- (a) the Company having obtained the requisite Shareholders' approval in respect of the transaction contemplated under the Sale and Purchase Agreement pursuant to the Listing Rules;

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## LETTER FROM THE BOARD

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- (b) the warranties of CS Sunshine as set out in the Sale and Purchase Agreement remaining true, accurate and not misleading as if repeated at the time of Completion and at all times between the date of the Sale and Purchase Agreement and Completion;
- (c) the warranties of Mighty Decade as set out in the Sale and Purchase Agreement remaining true, accurate and not misleading as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion; and
- (d) the Share Buy-back Agreement having become unconditional.

Except for conditions precedent (b) to (c) above, none of the conditions above is capable of being waived by CS Sunshine or the Company. If any of the conditions precedent above is not satisfied, or where applicable, waived, at or before 5:00 p.m. on the Long Stop Date, Mighty Decade and CS Sunshine shall not be bound to proceed with the Proposed Trust's Acquisition and the Sale and Purchase Agreement shall cease and determine (save for certain surviving clauses which shall continue to have full force and effect and any rights accrued to any parties in respect of any antecedent breaches of the terms of the Sale and Purchase Agreement).

As at the Latest Practicable Date, CS Sunshine had confirmed that condition precedent (b) in respect of the warranties of CS Sunshine had been fulfilled, save that it shall remain true, accurate and not misleading as if repeated at the time of Completion and at all times between the date of the Sale and Purchase Agreement and Completion. All other conditions precedent are subject to, among other things, the Shareholders' approval as disclosed above.

### ***Completion***

The completion of the Proposed Trust's Acquisition shall take place simultaneously with the completion of the Share Buy-back Agreement on the third business day after all the conditions precedent having been fulfilled, or, where applicable, waived by Mighty Decade or such other date as CS Sunshine and Mighty Decade may agree in writing.

### **The Trust under the Share Award Scheme**

Tricor Trust (Hong Kong) Limited was appointed as the Trustee of the Share Award Scheme on 12 December 2021.

Subject to any early termination as may be determined by the Board pursuant to the terms of the Share Award Scheme, or unless the Board by resolutions resolve otherwise, the Share Award Scheme shall be valid and effective for a term of ten years commencing on its adoption date of 16 July 2019. The Share Award Scheme currently does not otherwise have any other scheme limit so as to provide the Company with the flexibility to operate an effective and efficient incentive plan and incentivise the eligible participants under the Share Award Scheme from time to time. In any event, the Company shall comply with the relevant requirements under the Listing Rules and any other applicable law and regulations as and when any grant is being proposed and considered under the Share Award Scheme.

Whilst and for so long as the Shares are held by the Trustee in the trust fund (whether or not beneficial interest in those Shares has been vested in any selected participant(s) or object of the trust), the Trustee shall refrain from exercising any voting rights which may attach to the Shares and from taking any action in relation to the Shares prior to the vesting of the Shares with the relevant selected participant(s) or in the event of a proposed change of control of the Company.

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## LETTER FROM THE BOARD

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### THE PROPOSED SHARE BUY-BACK

On 12 December 2021, the Company and CS Sunshine entered into the Share Buy-back Agreement, pursuant to which the Company has conditionally agreed to acquire and CS Sunshine has conditionally agreed to dispose of the Buy-back Shares (representing approximately 3.4% of the total number of issued Shares as at the Latest Practicable Date), free from Encumbrances, together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the Completion Date, for the total consideration of HK\$581,453,389.86, equivalent to HK\$6.78 per Buy-back Share.

#### The Share Buy-back Agreement

##### *Parties*

- (1) The Company, as the purchaser; and
- (2) CS Sunshine, as the seller

##### *Number of Buy-back Shares*

The number of Buy-back Shares is 85,760,087, representing approximately 3.4% of the total number of issued Shares of the Company, and representing approximately 18.16% of the Shares currently held by CS Sunshine in the Company.

##### *Consideration*

The total consideration for the Proposed Share Buy-back is HK\$581,453,389.86, equivalent to HK\$6.78 per Buy-back Share, and is payable by way of bank transfer. The buy-back price for the Buy-back Shares was determined based on the arm's length commercial negotiations between the Company and CS Sunshine, taking into account the movements in the price of the Shares over a period of time, the prevailing market conditions, and the closing price of the Shares on the Last Trading Day. The Company has sufficient funds available to effect the Proposed Share Buy-back.

The buy-back price for each Buy-back Share is HK\$6.78, representing:

- (a) the closing price of HK\$6.78 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 0.62% over the average closing price of HK\$6.74 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 1.01% over the average closing price of HK\$6.71 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 0.06% over the average closing price of HK\$6.776 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 1.17% to the average closing price of HK\$6.86 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM THE BOARD

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- (f) a discount of approximately 6.29% to the average closing price of HK\$7.24 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (g) a discount of approximately 12.98% to the average closing price of HK\$7.79 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (h) a premium of approximately 22.38% over the unaudited consolidated net asset value per Share attributable to Shareholders as at 30 June 2021 of approximately HK\$5.54 per Share<sup>1</sup>; and
- (i) a premium of approximately 35.31% over the audited consolidated net asset value per Share attributable to Shareholders as at 31 December 2020 of approximately HK\$5.01 per Share<sup>2</sup>.

The original average purchase cost of the Buy-back Shares to CS Sunshine was HK\$1.3888 per Share.

*Note:*

- (1) The unaudited consolidated net assets per Share attributable to equity holders of the Company as at 30 June 2021 was approximately RMB4.61, which was calculated based on the unaudited consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2021 of approximately RMB11,732,515,000, and on the basis that the weighted average number of ordinary Shares in issue was 2,545,337,013 during the six months ended 30 June 2021. For illustration purposes only, the amount denominated in RMB has been converted into HK\$ at an exchange rate of RMB1.00 to HK\$1.2018 as at 30 June 2021.
- (2) The audited consolidated net assets per Share attributable to equity holders of the Company as at 31 December 2020 was approximately RMB4.22, which was calculated based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2020 of approximately RMB10,689,314,000, and on the basis that the weighted average number of ordinary Shares in issue was 2,534,742,913 for the year ended 31 December 2020. For illustration purposes only, the amount denominated in RMB has been converted into HK\$ at an exchange rate of RMB1.00 to HK\$1.1882 as at 31 December 2020.

The consideration for the Proposed Share Buy-back will be satisfied by the internally generated funds of the Company.

***Conditions***

Completion will be conditional upon the satisfaction of, amongst others, the following conditions:

- (a) the Executive having approved the buy-back of the Buy-back Shares by the Company pursuant to the Buy-back Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied;

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## LETTER FROM THE BOARD

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- (b) the Proposed Share Buy-back having been approved by at least three-fourths of the votes cast on a poll by the disinterested shareholders (as defined under the Buy-back Code) in attendance in person or by proxy at a general meeting of Shareholders duly convened and held to consider, among other things, the Proposed Share Buy-back pursuant to the Buy-back Code;
- (c) the warranties of CS Sunshine as set out in the Share Buy-back Agreement remaining true, accurate and not misleading as if it was repeated as at the time of Completion at all times between the date of the Share Buy-back Agreement and Completion;
- (d) the warranties of Mighty Decade as set out in the Share Buy-back Agreement remaining true, accurate and not misleading as if it was repeated as at the time of Completion at all times between the date of the Share Buy-back Agreement and Completion; and
- (e) the Sale and Purchase Agreement having become unconditional.

Except for conditions precedent (c) to (d) above, none of the conditions above is capable of being waived by CS Sunshine or the Company. If any of the conditions precedent above is not satisfied, or where applicable, waived, at or before 5:00 p.m. on the Long Stop Date, the Company and CS Sunshine shall not be bound to proceed with the Proposed Share Buy-back and the Share Buy-back Agreement shall cease and determine (save for certain surviving clauses which shall continue to have full force and effect and any rights accrued to any parties in respect of any antecedent breaches of the terms of the Share Buy-back Agreement).

As at the Latest Practicable Date, CS Sunshine had confirmed that condition precedent (c) in respect of the warranties of CS Sunshine had been fulfilled, save that it shall remain true, accurate and not misleading as if repeated at the time of Completion and at all times between the date of the Share Buy-back Agreement and Completion. All other conditions precedent are subject to, among other things, the Executive's approval and the approval of at least three-fourths of the votes cast on a poll by the disinterested shareholders of the Company as disclosed above.

### ***Completion***

The completion of the Proposed Share Buy-back shall take place simultaneously with the completion of the Sale and Purchase Agreement on the third business day after all the conditions precedent having been fulfilled, or, where applicable, waived by the Company or such other date as CS Sunshine and the Company may agree in writing.

## **FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK AND THE PROPOSED TRUST'S ACQUISITION**

The unaudited pro forma consolidated financial information of the Group upon Completion and cancellation of the Buy-back Shares illustrating the financial impacts of the Proposed Share Buy-back and the Proposed Trust's Acquisition (which are inter-conditional upon each other) on the net assets per Share as at 30 June 2021 and basic earnings per Share of the Group for the six months ended 30 June 2021 are set out in Appendix II to this circular.

### **Net assets per Share attributable to the Shareholders**

Based on the unaudited pro forma consolidated financial information of the Group as set out in Appendix II to this circular and assuming that the Proposed Share Buy-back and the Proposed Trust's Acquisition and the Proposed Trust's Acquisition had taken place on 30 June 2021, the Group's unaudited net assets per Share attributable to the Shareholders as at that date would have decreased by approximately 1.2% from approximately RMB4.61 per Share to approximately RMB4.55 per Share.

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## LETTER FROM THE BOARD

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### Basic earnings per Share

Based on the unaudited pro forma consolidated financial information of the Group as set out in Appendix II to this circular and assuming that the Proposed Share Buy-back and the Proposed Trust's Acquisition had taken place on 1 January 2021 and the Buy-back Shares have been bought back in full and cancelled, the Group's basic earnings per Share would have increased by approximately 5.2% from approximately RMB0.35 per Share to approximately RMB0.37 per Share.

### Total liabilities

The consideration of the Proposed Share Buy-back and the Proposed Trust's Acquisition will be settled in cash and as such the Proposed Share Buy-back will not have an impact on the liabilities of the Group.

### Working capital

As the consideration of the Proposed Share Buy-back and the Proposed Trust's Acquisition will be settled in cash, there will be an impact on the working capital or gearing position of the Group in the amount of the cash consideration. As at 30 June 2021, the cash payment for consideration represents approximately 14.7% of the cash and balances and bank financial products of the Group.

The Company considers that such impact will not have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

Based on the above, the Company considers that the Proposed Share Buy-back and the Proposed Trust's Acquisition will have no material adverse effect on the Group's net assets per Share, basic earnings per Share, total liabilities or working capital.

## EFFECTS OF THE PROPOSED SHARE BUY-BACK AND THE PROPOSED TRUST'S ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, CS Sunshine holds 472,212,360 Shares in issue, representing approximately 18.72% of the total number of issued Shares. Upon completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition, the Buy-back Shares will be transferred to the Company and cancelled. The percentage interest of all other Shareholders in the issued Shares of the Company will be proportionally increased following the cancellation of the Buy-back Shares and the resulting reduction in the number of issued Shares. The following table illustrates the shareholding structure of the Company as

## LETTER FROM THE BOARD

at the Latest Practicable Date and immediately after completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition:

	As at the Latest Practicable Date		Assuming that all options under The Empire Trust have been exercised as at the Latest Practicable Date		Immediately after the completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition		Immediately after the completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition and assuming that all options under The Empire Trust are exercised	
	Number of Shares	% of total no. of issued Shares	Number of Shares	% of total no. of issued Shares	Number of Shares	% of total no. of issued Shares	Number of Shares	% of total no. of issued Shares
	Decade Sunshine Limited <sup>(1)</sup> Hero Grand Management Limited <sup>(2)</sup>	476,774,553	18.90%	476,774,553	18.70%	476,774,553	19.57%	476,774,553
Dr. Lou Jing Directors <sup>(3)</sup>	50,174,510	1.99%	50,174,510	1.97%	50,174,510	2.06%	50,174,510	2.04%
Mighty Decade	—	—	440,000	0.02%	—	—	440,000	0.02%
Subtotal for the Company's Concert Group	133,662,460	5.30%	134,102,460	5.26%	133,662,460	5.48%	134,102,460	5.44%
CS Sunshine	—	—	—	—	40,357,688	1.66%	40,357,688	1.64%
Other public Shareholders	660,611,523	26.19%	661,491,523	25.95%	700,969,211	28.77%	701,849,211	28.50%
	472,212,360	18.72%	472,212,360	18.53%	346,094,585	14.20%	346,094,585	14.05%
	1,389,531,616	55.09%	1,415,212,616	55.52%	1,389,531,616	57.03%	1,415,212,616	57.45%
<b>Total</b>	<b>2,522,355,499</b>	<b>100%</b>	<b>2,548,916,499</b>	<b>100%</b>	<b>2,436,595,412</b>	<b>100%</b>	<b>2,463,156,412</b>	<b>100%</b>

*Notes:*

- Decade Sunshine Limited is a company controlled by Dr. LOU Jing.
- 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 is under the class of a beneficiary of the trust. As at the Latest Practicable Date, TMF (Cayman) Ltd. was an independent third party trustee service provider that is indirectly owned by TMF Sapphire Topco B.V. and no individual had an interest in 10% or more of the shares in TMF Sapphire Topco B.V. and the directors of TMF (Cayman) Ltd. were Evert Rakers and Lesley den Exter. As at the Latest Practicable Date, Hero Grand Management Limited held approximately 1.99% of the total issued share capital of the Company, of which 1.66% was held on trust for Dr. LOU Jing and 0.33% was held for itself.
- The Directors (comprising Ms. SU Dongmei and Mr. HUANG Bin but excluding Dr. LOU Jing), together with Mr. TAN Bo, a former director of the Company and Medical Recovery Limited (which is controlled by three of the Directors, namely Dr. LOU Jing, Ms. SU Dongmei and Mr. HUANG Bin), held approximately 5.30% of the total issued share capital of the Company in aggregate as at the Latest Practicable Date. As at the Latest Practicable Date, Ms. SU Dongmei, Mr. HUANG Bin, Mr. TAN Bo and Medical Recovery Limited held 24,384,630 Shares, 32,197,350 Shares, 42,090,000 Shares and 34,990,480 Shares, respectively, which accounted for approximately 0.97%, 1.28%, 1.67% and 1.39% of the total issued Shares as at the Latest Practicable Date, respectively, and approximately 0.96%, 1.26%, 1.65% and 1.37% of the total issued Shares, respectively, assuming that all options under The Empire Trust had been exercised as at the Latest Practicable Date.

### Public Float

The Company intends to maintain its listing on the Stock Exchange and to continue to meet the public float requirements under Rule 8.08 of the Listing Rules. It is expected that the Company will meet the said public float requirement after the completion of the Proposed Share Buy-back.



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE PROPOSED SHARE BUY-BACK AND THE PROPOSED TRUST'S ACQUISITION

When considering the Proposed Share Buy-back, the Company has taken into consideration that the Proposed Share Buy-back and the Proposed Trust's Acquisition:

- (a) are good opportunities for the Company to enhance its earnings per Share and the rate of return on capital, as the financial position of the Company is solid and healthy and therefore the Company has adequate resources to conduct the transactions to achieve such intended results;
- (b) reflect the Company's recognition of its own value and confidence in the long-term prospects of the industry and the Company, as the Board believes that the current trading price of the Shares does not reflect their intrinsic value and the actual business prospects;
- (c) are consistent with the Company's prevailing share buy-back plan as disclosed in its announcement dated 25 August 2021 and such off-market transactions will be conducted at a more favourable price than those of the on-market share repurchases recently conducted by the Company during August and September 2021;
- (d) will enable the Company to acquire more Shares during off-market hours without causing significant disturbance to the price and volume of the Shares during trading hours so as to maintain an orderly market;
- (e) can minimise the impact of a disposal of a significant number of Shares by a substantial shareholder onto the market so that any potential significant market volatility and investors' concern can otherwise be avoided or minimised. If there were no such Proposed Share Buy-back and the Proposed Trust's Acquisition, disposing of a sizeable number of Shares by a substantial shareholder would likely create downward pressure on the Company's share price which could lead to unfavourable impact on investors' investments;
- (f) present the Company with a relatively favourable price to conduct a Share repurchase and acquisition of Reserved Shares. Even though the consideration for each Sale Share represents a premium of approximately 22.38% over the unaudited consolidated net asset value per Share attributable to Shareholders as at 30 June 2021 of approximately HK\$5.54 per Share, and represents a premium of approximately 35.31% over the audited consolidated net asset value per Share attributable to Shareholders as at 31 December 2020 of approximately HK\$5.01 per Share:
  - (i) it represents a significant discount to the average closing price for each Share based on the daily closing prices of the Shares for 60 and 180 consecutive trading days immediately prior to and including the Last Trading Day, a relatively small discount when calculated based on 30 consecutive trading days immediately prior to and including the Last Trading Day, and only a very nominal premium even when calculated based on a shorter periods ranging from five to 20 consecutive trading days immediately prior to and including the Last Trading Day;



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## LETTER FROM THE BOARD

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- (ii) given the nature of the Company's business, namely researching and developing, manufacturing and marketing biopharmaceuticals, earnings are more appropriate yardstick in measuring the performance of the Company than net asset value per Share and therefore a comparison with the unaudited or audited consolidated net asset value per Share may not be a representative or appropriate assessment of whether or not the consideration for each Sale Share is fair and reasonable;
- (iii) if earnings were used as the yardstick instead, assuming that the Proposed Share Buy-back had taken place on 1 January 2021 and the Buy-back Shares had been bought back in full and cancelled, the Group's basic earnings per Share would have increased by approximately 5.2% from approximately RMB0.35 per Share to approximately RMB0.37 per Share, which in turn would be beneficial to the Shareholders;
- (g) are more favourable and beneficial to the Company and its Shareholders as a whole than their potential alternatives, namely (i) a proposed repurchase and acquisition of Shares from the open market (which may need to be conducted over a longer period of time given the size of the transactions involved, subject to uncertainty of the market price at different times and lead to potential volatility of the Share price); (ii) a proposed voluntary cash offer to repurchase the Shares from the Shareholders (which would likely require a higher premium over the market price to incentivise the Shareholders to sell their Shares, subject to uncertainty as to the level of acceptance by the Shareholders and involve more costs and time to execute); and (iii) a proposed introduction of new investors to acquire the Shares from CS Sunshine (which would also take time and is uncertain as the terms would be subject to negotiations between such new investors and CS Sunshine which would not be within the Company's control); and
- (h) are timely and advantageous to the Company (as the Company had indicated its intention to conduct, and had been conducting, share repurchases recently and had plans to incentivise the eligible participants under its incentive schemes from time to time), and save that the working capital of the Group will be utilised to settle the consideration for the Proposed Trust's Acquisition and the Proposed Share Buy-back (which in any event the Company does not consider to have a material adverse effect on the working capital requirements of the Group), no material disadvantages have been identified in the Company proposing to undertake such actions in order to avoid or minimise the impact of the proposed disposal of Shares by a substantial shareholder in the circumstances. For details relating to the working capital of the Group, please refer to the section headed "Financial effects of the Proposed Share Buy-Back and the Proposed Trust's Acquisition" in this circular.

In view of the above, the Board (excluding the members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee on pages 24 to 47 of this circular and excluding Mr. Tang Ke who is considered to have a material interest in the Proposed Share Buy-back, the Share Buy-back Agreement, the Proposed Trust's Acquisition and the Sale and Purchase Agreement by virtue of his position as a director of CS Sunshine and a managing director of Beijing Panmao Investment Management Co., Ltd. (北京磐茂投资管理有限公司) which is associated with CS Sunshine) is of the view that the Proposed Share Buy-back and the Proposed Trust's Acquisition are entered into on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### REGULATORY IMPLICATIONS

#### Listing Rules implications

As at the Latest Practicable Date, CS Sunshine held 472,212,360 Shares, representing approximately 18.72% of the total number of issued Shares of the Company, and was a substantial shareholder of the Company. As a substantial shareholder of the Company, CS Sunshine is a connected person of the Company pursuant to the Listing Rules. Accordingly, both the Proposed Share Buy-back and the Proposed Trust's Acquisition (which are inter-conditional upon each other) constitute connected transactions of the Company and are therefore subject to the approval by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Sale and Purchase Agreement and the Share Buy-back Agreement on an aggregated basis exceeds 5% but is less than 25%, the transactions contemplated under the Sale and Purchase Agreement and the Share Buy-back Agreement also constitute discloseable transactions and are subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules. As explained in the paragraphs under "Buy-back Code implications" below, the Proposed Share Buy-back is subject to the approval by special resolutions of the Independent Shareholders present in person or by proxy at the EGM. The Proposed Trust's Acquisition is subject to the approval by ordinary resolution by the majority of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Proposed Share Buy-back, Share Buy-back Agreement, the Proposed Trust's Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder, save that Mr. Tang Ke is a director of CS Sunshine and a managing director of Beijing Panmao Investment Management Co., Ltd. (北京磐茂投资管理有限公司) which is associated with CS Sunshine. Accordingly, Mr. Tang Ke is considered to have a material interest in the Proposed Share Buy-back, Share Buy-back Agreement, the Proposed Trust's Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder, and had abstained from voting at the Board meeting approving the Proposed Share Buy-back, Share Buy-back Agreement, the Proposed Trust's Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder.

#### Buy-back Code implications

The Proposed Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-back Code. The Company has made an application to the Executive for approval of the Proposed Share Buy-back pursuant to Rule 2 of the Buy-back Code. The Executive's approval, if granted, will normally be conditional upon, amongst other things, approval of the Proposed Share Buy-back by special resolution by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company. Completion of the Proposed Share Buy-back is subject to the conditions including, among others, that the Proposed Share Buy-back has been approved by the Executive. Therefore, the Company will not proceed with the Proposed Share Buy-back unless the Executive approves the Proposed Share Buy-back pursuant to Rule 2 of the Buy-back Code. However, there is no assurance that such approval will be granted or that all other conditions precedent to the Proposed Share buy-back will be fulfilled.

As required by the Buy-back Code, as at the Latest Practicable Date, (i) CS Sunshine Concert Group (which beneficially held 472,212,360 Shares, representing approximately 18.72% of the total number of issued Shares of the Company); and (ii) the Company's Concert Group (which beneficially held 660,611,523 Shares, representing approximately 26.19% of the total number of issued Shares of the Company) will abstain from voting on the resolutions to be proposed at the EGM for approving the Share Buy-back Agreement and the Proposed Share Buy-back.

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## LETTER FROM THE BOARD

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The Company confirms that as at the Latest Practicable Date, neither CS Sunshine Concert Group nor the Company's Concert Group:

- (i) held, owned, had any control or direction over any voting rights of the Company, rights over any Shares, outstanding warrants or any securities that are convertible into Shares, options or derivatives in respect of the securities of the Company, other than those as disclosed in the section headed "Effects of the Proposed Share Buy-Back and the Proposed Trust's Acquisition on the Shareholding Structure of the Company" in this circular;
- (ii) had secured an irrevocable commitment to vote in favour of or against the Share Buy-back Agreement and/or the Proposed Share Buy-back;
- (iii) had any arrangement (whether by way of option, indemnity or otherwise) or contracts (other than the Sale and Purchase Agreement and the Share Buy-back Agreement) in relation to the Shares or shares of the Company's Concert Group (where relevant) which might be material to the Share Buy-back Agreement and/or the Proposed Share Buy-back;
- (iv) had any agreement or arrangement to which the Company's Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-back Agreement and/or the Proposed Share Buy-back; or
- (v) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Hong Kong Code on Takeovers and Mergers) in the Company.

Save for (i) the exercise of 198,000 vested share options at the pre-determined price of HK\$7.62 per Share by Mr. Tan Bo, a former Director on 22 June 2021; and (ii) the buy-back of Shares by the Company on the market at the average price of approximately HK\$8.45 per Share in August and September 2021, neither CS Sunshine Concert Group nor the Company's Concert Group has acquired or disposed of any voting rights of the Company nor has dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company in the Relevant Period.

As at the Latest Practicable Date:

- (a) apart from the consideration for the Buy-back Shares under the Proposed Share Buy-back, there was no consideration, compensation or benefit in whatever form paid or to be paid by the Company's Concert Group to CS Sunshine Concert Group or the Company's Concert Group in connection with the Proposed Share Buy-back;
- (b) there is no understanding, arrangement or agreement which would constitute a special deal under Rule 25 of the Takeovers Code between the Company's Concert Group on the one hand, and CS Sunshine Concert Group on the other hand; and
- (c) there is no understanding, arrangement or agreement which would constitute a special deal under Rule 25 of the Takeovers Code between (1) any shareholder of the Company, and (2) the Company, its subsidiaries or associated companies, or the Company's Concert Group.

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## LETTER FROM THE BOARD

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### *Takeovers Code implications*

According to Rule 32 of the Takeovers Code, if a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Share Buy-back, such increase will be treated as an acquisition of voting rights. As at the Latest Practicable Date, Dr. Lou Jing and parties acting in concert with him were interested in 660,611,523 Shares, representing approximately 26.19% of the issued share capital of the Company; and each of Dr. Lou Jing and Ms. Su Dongmei was interested in options carrying the rights to subscribe for 440,000 Shares. Save as aforesaid, Dr. Lou Jing and parties acting in concert with him are not interested in any existing holding of voting rights or rights over the Shares. Assuming there are no changes to the shareholding of Dr. Lou Jing and parties acting in concert with him and the issued share capital of the Company from the Latest Practicable Date up to Completion, immediately upon Completion, the percentage shareholding of Dr. Lou Jing and parties acting in concert with him will be increased to 28.77% of the reduced issued share capital of the Company as a result of the Share Buy-back. Given that Dr. Lou Jing and parties acting in concert with him will hold less than 30% of the voting rights of the Company immediately after the completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition, no obligation on the part of Dr. Lou Jing and parties acting in concert with him to make a general offer for all the Shares not already owned or agreed to be acquired by them will arise as a result of the Share Buy-back.

The Proposed Share Buy-back will not result in any change of control, as defined under the Takeovers Code.

### **GENERAL**

The principal business activity of the Company is investment holding. The principal business activities of its major subsidiaries are development, manufacture and marketing of biopharmaceuticals in mainland China, Hong Kong, Taiwan and Macau.

For the two years ended 31 December 2020:

- (a) the audited consolidated net profit of the Group before taxation and before excluding non-controlling interests (from continuing and discontinued operations) were approximately RMB1,223.0 million and RMB979.1 million respectively and the audited consolidated net profit of the Group after taxation and after excluding non-controlling interests (from continuing and discontinued operations) were approximately RMB973.7 million and RMB835.8 million respectively; and
- (b) the audited consolidated net profit before taxation and before excluding non-controlling interest (from continuing and discontinued operations) attributable to the Buy-back Shares were approximately RMB41.4 million and RMB33.0 million respectively and the audited consolidated net profit after taxation and after excluding non-controlling interests (from continuing and discontinued operations) attributable to the Buy-back Shares were approximately RMB32.9 million and RMB28.2 million respectively.

CS Sunshine currently holds 472,212,360 Shares, representing approximately 18.72% of the existing total number of issued Shares of the Company as at the Latest Practicable Date and is an investment vehicle wholly-owned by CPEChina Fund, L.P. which is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of CPEChina Fund, L.P. is Citron PE Associates, L.P. (formerly known as CITIC PE Associates, L.P.), an exempted limited partnership registered under the laws of the Cayman Islands, whose general partner is Citron PE Funds Limited (formerly known as CITIC PE Funds Limited). Citron PE Funds Limited is wholly-owned by Citron PE Holdings Limited (formerly known

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## LETTER FROM THE BOARD

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as CITICPE Holdings Limited), which is owned as to 35% by CLSA Global Investments Management Limited. CLSA Global Investments Management Limited is wholly-owned by CLSA B.V., which is wholly-owned by CITIC Securities International Company Limited, which in turn is wholly-owned by CITIC Securities Company Limited, a company listed on both the Stock Exchange (Stock Code: 6030) and the Shanghai Stock Exchange (Stock Code: 600030).

Pursuant to the Listing Rules and the Buy-back Code, the Independent Board Committee (comprising all the independent non-executive Directors, namely Mr. Pu Tianruo, Dr. Wong Lap Yan and Ms. Yang Hoi Ti Heidi, all of whom do not have any direct or indirect interest in the Proposed Share Buy-back and the Proposed Trust's Acquisition) has been formed to advise the Independent Shareholders on the Proposed Share Buy-back, the Share Buy-back Agreement, the Proposed Trust's Acquisition and the Sale and Purchase Agreement. Mr. Huang Bin and Mr. Tang Ke who are non-executive Directors, are considered, or may be seen, to have a material interest in the Proposed Share Buy-back Agreement and the transactions contemplated thereunder by virtue of Mr. Huang Bin being a member of the Company's Concert Group and Mr. Tang Ke's position as director of CS Sunshine and a managing director of Beijing Panmao Investment Management Co., Ltd. (北京磐茂投资管理有限公司) which is associated with CS Sunshine, respectively, and therefore both of them are not a member of the Independent Board Committee.

The Independent Financial Adviser, Altus Capital Limited, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Proposed Share Buy-back, the Share Buy-back Agreement, the Proposed Trust's Acquisition and the Sale and Purchase Agreement and to make recommendations on voting.

### EGM

The Company will hold the EGM at No. 3 A1, Road 10, Shenyang Economy and Technology Development Zone, Shenyang, People's Republic of China on Monday, 10 January 2022 at 9 a.m. (or any adjournment of that meeting), at which a special resolution will be proposed for the purpose of considering and if thought fit, approving the Proposed Share Buy-back, Share Buy-back Agreement and the transactions contemplated thereunder, and an ordinary resolution will be proposed for the purpose of considering and if thought fit, approving the Proposed Trust's Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder. The notice to convene the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.3sbio.com](http://www.3sbio.com)). Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed on the form and deposit the same at the office of the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment of EGM (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of the EGM (as the case may be).

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## LETTER FROM THE BOARD

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### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 January 2022 to Monday, 10 January 2022 (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of the Shares may be registered during the said period. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by no later than 4:30 p.m. on Tuesday, 4 January 2022.

### VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, Rule 2 of the Buy-back Code and article 66(1) of the articles of association of the Company, all votes at the EGM will be conducted by way of poll.

As at the Latest Practicable Date, CS Sunshine (which beneficially held 472,212,360 Shares, representing approximately 18.72% of the total number of issued Shares) and the parties acting in concert with it will abstain from voting on the resolutions to be proposed at the EGM for approving the Share Buy-back Agreement, the Proposed Share Buy-back, the Proposed Trust's Acquisition and the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Company's Concert Group (which beneficially held 660,611,523 Shares, representing approximately 26.19% of the total number of issued Shares) will abstain from voting on the resolutions to be proposed at the EGM for approving the Share Buy-back Agreement and the Proposed Share Buy-back.

Save as aforesaid, none of other Shareholders is required to abstain from voting at the EGM in relation to the proposed resolutions set out in the notice of EGM.

### PRECAUTIONARY MEASURES FOR THE EGM

Taking into account the recent development of the epidemic caused by the COVID-19, the Company will implement the following prevention and control measures at the EGM against the epidemic to protect the Shareholders from the risk of infection:

- (a) compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be permitted to access to the meeting venue;
- (b) every Shareholder or proxy is required to wear surgical face mask throughout the meeting;
- (c) no souvenirs will be provided; and
- (b) no refreshments will be served.



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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Directors (excluding the members of the Independent Board Committee who whose views are set out in the letter from the Independent Board Committee on pages 22 and 23 of this circular and excluding Mr. Tang Ke who is considered to have a material interest in the Proposed Share Buy-back, the Share Buy-back Agreement, the Proposed Trust's Acquisition and the Sale and Purchase Agreement) are of the opinion that the terms of the Share Buy-back Agreement and the Proposed Share Buy-back are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders vote in favour of the relevant resolution to be proposed at the EGM.

Having taken into account the advice of the Independent Financial Adviser set out on pages 24 to 47 of this circular, the recommendation of the Independent Board Committee to the Independent Shareholders are set out on the letter from the Independent Board Committee on pages 22 and 23 of this circular.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 22 and 23 of this circular which contain their recommendations to the Independent Shareholders regarding the Proposed Share Buy-back, the Share Buy-back Agreement, the Proposed Trust's Acquisition and the Sale and Purchase Agreement; and (ii) the letter from the Independent Financial Adviser as set out on pages 24 to 47 of this circular which contain their recommendations to the Independent Shareholders regarding to the Independent Board Committee and the Independent Shareholders on the Proposed Share Buy-back, the Share Buy-back Agreement, the Proposed Trust's Acquisition and the Sale and Purchase Agreement.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I, Appendix II and Appendix III to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**3SBio Inc.**  
**Dr. LOU Jing**  
*Chairman*

Shenyang, the PRC  
22 December 2021

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Proposed Share Buy-back, the Share Buy-back Agreement, the Proposed Trust's Acquisition and the Sale and Purchase Agreement*



三生制药  
3SBIO INC.

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1530)**

**(Convertible Bonds Code: 40285)**

22 December 2021

*To the Independent Shareholders*

### **DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF SALE SHARES BY MIGHTY DECADE AND OFF-MARKET SHARE BUY-BACK BY THE COMPANY**

Dear Sir or Madam,

We refer to the circular of the Company dated 22 December 2021 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to (i) whether the terms of the Proposed Share Buy-back and the Proposed Trust's Acquisition (the “**Transactions**”) are fair and reasonable and in the interests of the Independent Shareholders; (ii) whether the Transactions are in the interests of the Company; (iii) whether the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iv) whether to recommend the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Transactions.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to (i) the letter of advice from Altus Capital Limited, the details of which (including the principal factors and reasons that have been taken into consideration by Altus Capital Limited) are set out on pages 24 to 47 of the Circular; and (ii) the letter from the Board as set out on pages 5 to 21 of the Circular.

Having considered the terms of the Proposed Share Buy-back, the Share Buy-back Agreement, the Proposed Trust's Acquisition and the Sale and Purchase Agreement and the principal factors and reasons considered by and the opinion of Altus Capital Limited as set out in its letter of advice, we consider that although the Transactions are not in the ordinary and usual course of business of the Company, (i) the terms of the Transactions are fair and reasonable and in the interests of the Independent Shareholders; (ii) the Transactions are in the interests of the Company and (iii) the Transactions are on normal commercial terms. Accordingly, we recommend the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Transactions.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Mr. PU Tianruo**  
*Independent non-executive  
Director*

**Dr. WONG Lap Yan**  
*Independent non-executive  
Director*

**Ms. YANG, Hoi Ti Heidi**  
*Independent non-executive  
Director*

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## LETTER FROM ALTUS CAPITAL LIMITED

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*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Share Buy-back and the Proposed Trust's Acquisition, which has been prepared for the purpose of incorporation in the Circular.*

**ALTUS**

Altus Capital Limited  
21 Wing Wo Street  
Central, Hong Kong

22 December 2021

*To the Independent Board Committee and the Independent Shareholders*

**3SBio Inc.**

31/F, Tower Two, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

Dear Sir and Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF SALE SHARES BY MIGHTY DECADE AND OFF-MARKET SHARE BUY-BACK BY THE COMPANY**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Share Buy-back and the Proposed Trust's Acquisition (collectively, the "**Transactions**"), details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 22 December 2021 (the "**Circular**"). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 12 December 2021, Mighty Decade, the holding company of the Trust under the Share Award Scheme, and CS Sunshine entered into the Sale and Purchase Agreement, pursuant to which Mighty Decade has conditionally agreed to acquire and CS Sunshine has conditionally agreed to dispose of the Sale Shares (representing approximately 1.6% of the total number of issued Shares as at the Latest Practicable Date) free from Encumbrances, together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the Completion Date, for the total consideration of HK\$273,625,124.64, equivalent to HK\$6.78 per Sale Share.

On 12 December 2021, the Company and CS Sunshine entered into the Share Buy-back Agreement, pursuant to which the Company has conditionally agreed to acquire and CS Sunshine has conditionally agreed to dispose of the Buy-back Shares (representing approximately 3.4% of the total number of issued Shares as at the Latest Practicable Date), free from Encumbrances, together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the Completion Date, for the total consideration of HK\$581,453,389.86, equivalent to HK\$6.78 per Buy-back Share.

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## LETTER FROM ALTUS CAPITAL LIMITED

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The Completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition are inter-conditional upon each other. After completion of the Proposed Share Buy-back, the Buy-back Shares will be cancelled and the shareholding percentages of the Shareholders will be increased on a pro rata basis upon the cancellation of the Buy-back Shares and the resulting reduction in the number of issued Shares.

### REGULATORY REQUIREMENTS

#### Listing Rules

As at the Latest Practicable Date, CS Sunshine held 472,212,360 Shares, representing approximately 18.72% of the total number of issued Shares of the Company, and was a substantial shareholder of the Company. As a substantial shareholder of the Company, CS Sunshine is a connected person of the Company pursuant to the Listing Rules. Accordingly, both the Proposed Share Buy-back and the Proposed Trust's Acquisition (which are inter-conditional upon each other) constitute connected transactions of the Company and are therefore subject to the approval by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Sale and Purchase Agreement and the Share Buy-back Agreement on an aggregated basis exceeds 5% but is less than 25%, the transactions contemplated under the Sale and Purchase Agreement and the Share Buy-back Agreement also constitute discloseable transactions and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. As elaborated in the paragraph headed "Buy-back Code" below, the Proposed Share Buy-back is subject to the approval by special resolution of the Independent Shareholders present in person or by proxy at the EGM. The Proposed Trust's Acquisition is subject to the approval by ordinary resolution by the majority of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company.

#### Buy-back Code

The Proposed Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-back Code. The Company has made an application to the Executive for approval of the Proposed Share Buy-back pursuant to Rule 2 of the Buy-back Code. The Executive's approval, if granted, will normally be conditional upon, amongst other things, approval of the Proposed Share Buy-back by special resolution by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company.

Completion of the Proposed Share Buy-back is subject to the conditions, including, among others, that the Proposed Share Buy-back has been approved by the Executive. Therefore, the Company will not proceed with the Proposed Share Buy-back unless the Executive approves the Proposed Share Buy-back pursuant to Rule 2 of the Buy-back Code. However, there is no assurance that such approval will be granted or that all other conditions precedent to the Proposed Share Buy-back will be fulfilled.

As required by the Buy-back Code, as at the Latest Practicable Date, (i) CS Sunshine Concert Group (which beneficially held 472,212,360 Shares representing approximately 18.72% of the total number of issued Shares of the Company); and (ii) the Company's Concert Group (which beneficially held 660,611,523 Shares, representing approximately 26.19% of the total number of issued Shares of the Company) will abstain from voting on the resolutions to be proposed at the EGM for approving the Share Buy-back Agreement and the Proposed Share Buy-back.

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## LETTER FROM ALTUS CAPITAL LIMITED

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### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Pu Tianruo, Dr. Wong Lap Yan and Ms. Yang Hoi Ti Heidi, has been formed to advise the Independent Shareholders as to (i) whether the terms of the Transactions are fair and reasonable and in the interests of the Independent Shareholders; (ii) whether the Transactions are in the interests of the Company; (iii) whether the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the EGM, taking into account the recommendation of the Independent Financial Adviser. Mr. Huang Bin and Mr. Tang Ke who are non-executive Directors, are considered, or may be seen, to have a material interest in the Proposed Share Buy-back Agreement and the transactions contemplated thereunder by virtue of Mr. Huang Bin being a member of the Company's Concert Group and Mr. Tang Ke's position as a director of CS Sunshine and a managing director of Beijing Panmao Investment Management Co., Ltd. (北京磐茂投资管理有限公司) which is associated with CS Sunshine, respectively, and therefore both of them are not a member of the Independent Board Committee.

### INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Transactions are fair and reasonable and in the interests of the Independent Shareholders; (ii) whether the Transactions are in the interests of the Company; (iii) whether the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iv) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the EGM.

Except that we were engaged as the independent financial adviser in relation to the Company's connected transaction in relation to the grant of awarded shares under specific mandate to a connected person pursuant to the share award scheme, details of which are set out in the Company's circular dated 16 October 2020, we have not acted as independent financial adviser or financial adviser in relation to any transactions of the Company in the past two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Transactions is at market level and not conditional upon successful passing of the resolutions to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, the Trustee under the Share Award Scheme, the holding company of the Trust under the Share Award Scheme, the vendor of the Shares under the Share Buy-back, the controlling shareholders of the vendor of the Shares under the Share Buy-back or any parties acting in concert with any of them and can act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, among others, (i) the Share Buy-back Agreement; (ii) the Sale and Purchase Agreement; (iii) the interim report of the Company for the six months ended 30 June 2021 (the "**2021 Interim Report**"); (iv) the annual reports of the Company for the years ended 31 December 2020 and 2019 respectively (the "**2020 Annual Report**" and "**2019 Annual Report**"); (v) the announcement of the Company dated 25 August 2021 in relation to, among others, the Board's intention to repurchase Shares in the open market (the "**August 2021 Announcement**"); (vi) the announcement of the Company dated 17 July 2019 in relation to, among others, the adoption of Share Award Scheme (the "**July 2019 Announcement**"); and (vii) other information set out in the Circular.

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## LETTER FROM ALTUS CAPITAL LIMITED

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We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the date of the Circular. The Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any such statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular. Independent Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion after the Latest Practicable Date and up to and including the date of the EGM. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our recommendation, we have taken into consideration the principal factors and reasons set out below:

#### **1. Background information of the Group and CS Sunshine**

##### ***1.1 Principal business of the Group***

The Company has been listed on the Stock Exchange since June 2015. The Group is a leading biotechnology company in the PRC, and a pioneer in the Chinese biotechnology industry. Its expertise revolves around researching and developing, manufacturing and marketing of biopharmaceuticals. Its core products include TPIAO (特比澳), Yisaipu (益赛普), and recombinant human erythropoietin (“**rhEPO**”) products EPIAO (益比奥), SEPO (赛博尔) and Mandi (蔓迪). The Group has been expanding its therapeutic coverage by adding products through internal research and development and various external strategic partnerships.

##### ***1.2 Financial information of the Group***

The tables below set out a summary of certain financial information of the Group for the years ended 31 December 2018, 2019 and 2020 (“**FY2018**”, **FY2019**” and “**FY2020**”) and the six months ended 30 June 2020 and 2021 (“**6MFY2020**” and “**6MFY2021**”) extracted from the 2021 Interim Report, 2020 Annual Report and 2019 Annual Report respectively.

## LETTER FROM ALTUS CAPITAL LIMITED

### *Extract of consolidated statement of profit or loss and other comprehensive income*

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>6MFY2020</b>	<b>6MFY2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	4,583,869	5,318,091	5,587,636	2,695,177	3,107,135
Gross profit	3,706,614	4,392,744	4,524,725	2,217,080	2,587,144
<i>Gross profit margin</i>	80.9%	82.6%	81.0%	82.3%	83.3%
Profit for the year/period	1,277,246	980,228	771,106	685,747	891,025
Earnings per Share (RMB) <sup>(1)</sup>	0.50	0.38	0.33	0.28	0.35

### *Extract of consolidated statement of financial position*

	<b>As at 31 December</b>			<b>As at</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Total assets	13,839,655	14,809,306	17,678,195	18,541,245
<i>Cash and cash equivalents</i>	1,792,605	2,082,847	3,090,835	2,919,683
Total liabilities	4,932,285	4,449,987	4,584,860	4,412,592
Net assets	8,907,370	10,359,319	13,093,335	14,128,653
Net assets per Share (RMB) <sup>(2)</sup>	3.39	3.79	4.20	4.61

#### *Notes:*

- (1) The calculation of the earnings per Share is based on the Group's profit attributable to owners of the Company for the respective financial year/period and on the number of Shares in issue during the year/period.
- (2) The calculation of the net assets per Share as at the respective year/period-end date is based on the Group's consolidated net assets attributable to owners of the Company as at the respective financial year/period-end date and on the number of Shares in issue as at the year/period-end date.

#### *Revenue*

The Group recorded revenue growth throughout the three years ended FY2020 at a compound annual growth rate (“CAGR”) of approximately 10.4%, and achieved a revenue level of approximately RMB4,583.9 million, RMB5,318.1 million and RMB5,587.6 million respectively. Over 98% of which were derived from the sale of biopharmaceuticals and over 96% of which were derived from the sales in the PRC. Such increase was mainly attributable to the strong sales growth of TPIAO, which accounted for approximately 36.3%, 43.5% and 49.2% of the Group's total sales of goods in FY2018, FY2019 and FY2020 respectively. TPIAO is the Group's self-developed proprietary product, and has been the only commercialised recombinant human thrombopoietin (“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

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thrombocytopenia (“CIT”) and immune thrombocytopenia (“ITP”). The significant sales growth of TPIAO was mainly attributable to the increasing physician awareness of its safety and efficacy as a treatment of CIT and ITP and its quick adoption in the PRC. In addition, the Group’s other key products, such as small molecules therapeutics, had also contributed to the revenue growth, which was primarily driven by the increased market demand for hair loss and growth treatments.

Such increasing trend continued during 6MFY2021. The Group’s revenue increased by approximately 15.3% from approximately RMB2,695.2 million during 6MFY2020 to approximately RMB3,107.1 million during 6MFY2021. The increase was mainly attributable to the continued strong sales growth of TPIAO, which accounted for approximately 49.0% of the Group’s total revenue during 6MFY2021. 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.

### *Gross profit*

During FY2018, FY2019, FY2020 and 6MFY2021, the Group was able to achieve notable and sustainable growth in gross profit. The increase in the Group’s gross profit was generally in-line with its revenue growth. The Group’s gross profit margin increased to approximately 82.6% in FY2019 from approximately 80.9% in FY2018, mainly due to the sales growth of TPIAO, which recorded a higher gross profit margin. The Group’s gross profit margin then decreased slightly to approximately 81.0% in FY2020, mainly due to the increased cost of raw material for some products in the Group’s product portfolios.

During 6MFY2021, the Group’s gross profit increased to approximately RMB2,587.1 million, as compared to approximately RMB2,217.1 million during 6MFY2020, representing an increase of approximately 16.7%, which was broadly in line with the revenue growth during the period. The corresponding gross profit margin increased to approximately 83.3% during 6MFY2021 from approximately 82.3% during 6MFY2020, which was due to the sales growth of TPIAO and the termination of the exclusive distribution rights in relation to the Bydureon and Humulin, which had a lower profit margin than the Group’s other businesses.

### *Profit for the year/period*

Despite the continued growth in revenue and gross profit throughout the three-year period ended FY2020 as aforementioned, the profit for the year of the Group decreased from approximately RMB1,277.2 million in FY2018 to approximately RMB980.2 million in FY2019, and further decreased to approximately RMB771.1 million in FY2020. Such decrease was generally attributable to the net effect of various non-operational factors, such as (i) the interest expense incurred in relation to the 2022 Bonds and the 2025 Bonds (as applicable), which were issued on 21 July 2017 and 29 June 2020 respectively; (ii) the expenses associated with the share options and awarded shares granted in February 2017, March 2020 and September 2020 (as applicable); (iii) the expenses associated with the awarded shares under the employee share ownership plan by Sunshine Guojian (a subsidiary of the Company) (“**Sunshine Guojian ESOP**”) in FY2019; (iv) the fair value gain upon reclassification of an equity investment in FY2018; (v) the write-off expenses of approximately RMB161.8 million in relation to the termination of the exclusive distribution rights in other intangible assets in relation to Bydureon and Humulin, which was incurred in the second half of FY2020; and (vi) the foreign exchange losses of approximately RMB250.0 million, which was incurred in the second half of FY2020. Due to these factors, earnings per Share decreased from approximately RMB0.50 in FY2018 to approximately RMB0.38 in FY2019, and further decreased to approximately RMB0.33 in FY2020.



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For the period of 6MFY2021, the Group's profit for the period increased significantly by approximately 29.9% from approximately RMB685.7 million during 6MFY2020 to approximately RMB891.0 million during 6MFY2021. Such increase was primarily due to the strong revenue growth as discussed above; while majority of the one-off and non-operational factors as discussed above were no longer applicable in 6MFY2021, save for items (i) and (ii). Due to these factors, earnings per Share increased from approximately RMB0.28 in 6MFY2020 to RMB0.35 in 6MFY2021.

### *Total assets and total equity*

The Group's total assets size increased from approximately RMB13,839.7 million as at 31 December 2018 to approximately RMB14,809.3 million as at 31 December 2019, and further increased to approximately RMB17,678.2 million and RMB18,541.2 million as at 31 December 2020 and 30 June 2021 respectively. Total equity of the Group also improved from approximately RMB8,907.4 million as at 31 December 2018 to approximately RMB14,128.7 million as at 30 June 2021. Such improvement in the overall financial structure of the Group was generally in line with the Group's business growth and profitability recorded.

### **1.3 Prospects of the Group**

According to the 2021 Interim Report, since the introduction of the reform of evaluation and approval of new drugs, there have been promising prospects in the biopharmaceuticals industry in the PRC, with evidence of rapid growth. According to the data from the 2020 Annual Drug Evaluation Report (the "2020 Annual Drug Evaluation Report")<sup>1</sup> published by the National Medical Products Administration, the number of applications for new biopharmaceuticals registration in 2020 has increased by approximately 58.4% as compared to the previous year. The advancement in medical reform will place more emphasis on the clinical value of biopharmaceuticals, in particular, to further enhance the quality of innovative drugs with focus on the development of new targets and new technologies.

Under the backdrop of high significance of innovative research and development in the biopharmaceutical industry, the Group will continue to build up its in-house clinical development capacity and advance its integrative research capability. In particular, the Group will continue to focus on researching and developing on four major therapeutical areas, being oncology, autoimmune diseases, nephrology and dermatology. As at 30 June 2021, the Group has 35 pipeline candidates in the existing product portfolio, with 24 candidates developed as innovative drugs. Among these 35 product candidates, 29 are in the clinical trial or post-clinical trial stage and six are in the pre-clinical stage.

In view of the solid research and development establishment and strong product pipelines as mentioned above, the Management is confident in the future development of the Group.

### **1.4 CS Sunshine**

According to the paragraph headed "General" in the "Letter from the Board" of the Circular, CS Sunshine is an investment vehicle wholly-owned by CPEChina Fund, L.P. which is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of CPEChina Fund, L.P. is Citron PE Associates, L.P. (formerly known as CITIC PE Associates, L.P.), an exempted

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<sup>1</sup> Source: the website of National Medical Products Administration  
<https://www.nmpa.gov.cn/directory/web/nmpa/xxgk/fgwj/gzwj/gzwjyp/20210621142436183.html>



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limited partnership registered under the laws of the Cayman Islands, whose general partner is Citron PE Funds Limited (formerly known as CITIC PE Funds Limited). Citron PE Funds Limited is wholly-owned by Citron PE Holdings Limited (formerly known as CITICPE Holdings Limited), which is owned as to 35% by CLSA Global Investments Management Limited. CLSA Global Investments Management Limited is wholly-owned by CLSA B.V., which is wholly-owned by CITIC Securities International Company Limited, which in turn is wholly-owned by CITIC Securities Company Limited, a company listed on both the Stock Exchange (Stock Code: 6030) and the Shanghai Stock Exchange (Stock Code: 600030). As at the Latest Practicable Date, CS Sunshine held 472,212,360 Shares, representing approximately 18.72% of the existing total number of issued Shares of the Company.

According to the paragraphs headed “The Sale and Purchase Agreement” and “The Share Buy-back Agreement” in the “Letter from the Board” of the Circular, the original average purchase cost of the Sale Shares and Buy-back Shares to CS Sunshine was HK\$1.3888 per Share.

### **2. The Proposed Share Buy-back and the Proposed Trust’s Acquisition**

The Transactions with CS Sunshine involve (i) the Company buying-back Shares from CS Sunshine for cancellation (the “**Proposed Share Buy-back**”); and (ii) Mighty Decade, the holding company of the Trust under the Share Award Scheme, acquiring Shares from CS Sunshine for the purpose of the Share Award Scheme (the “**Proposed Trust’s Acquisition**”). The Proposed Share Buy-back entails cancellation of the Shares bought back, while the Shares acquired under the Proposed Trust’s Acquisition will be warehoused and subsequently awarded for employee incentive purposes. While the reasons and purposes of item (i) and (ii) above differ, both entail the Company using its own internal resources to purchase Shares from CS Sunshine. Given the above, our analysis of the fairness and reasonableness of both the Proposed Share Buy-back and the Proposed Trust’s Acquisition will be of similar focus and approach.

#### ***2.1 Principal terms of the Share Buy-back Agreement and the Sale and Purchase Agreement***

##### *Share Buy-back Agreement*

On 12 December 2021 (after trading hours), the Company and CS Sunshine entered into the Share Buy-back Agreement pursuant to which the Company has agreed to acquire and CS Sunshine has conditionally agreed to dispose of 85,760,087 Buy-back Shares (representing approximately 3.4% of the total number of issued Shares as at the Latest Practicable Date) for the total consideration of HK\$581,453,389.86, equivalent to HK\$6.78 per Buy-back Share. The consideration for the Proposed Share Buy-back will be satisfied by the internally generated funds of the Company.

As stated in the paragraph headed “The Share Buy-back Agreement” in the “Letter from the Board” of the Circular, completion of the Proposed Share Buy-back will be conditional upon the satisfaction of, amongst others, the following conditions:

- (a) the Executive having approved the buy-back of the Buy-back Shares by the Company pursuant to the Buy-back Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied;

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## LETTER FROM ALTUS CAPITAL LIMITED

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- (b) the Proposed Share Buy-back having been approved by at least three-fourths of the votes cast on a poll by the disinterested shareholders (as defined under the Buy-back Code) in attendance in person or by proxy at a general meeting of Shareholders duly convened and held to consider, among other things, the Proposed Share Buy-back pursuant to the Buy-back Code;
- (c) the warranties of CS Sunshine as set out in the Share Buy-back Agreement remaining true, accurate and not misleading as if it was repeated as at the time of Completion at all times between the date of the Share Buy-back Agreement and the Completion;
- (d) the warranties of Mighty Decade as set out in the Share Buy-back Agreement remaining true, accurate and not misleading as if it was repeated as at the time of Completion at all times between the date of the Share Buy-back Agreement and the Completion; and
- (e) the Sale and Purchase Agreement having become unconditional.

Except for conditions precedent (c) to (d) above, none of the conditions above is capable of being waived by CS Sunshine or the Company.

### *Sale and Purchase Agreement*

On 12 December 2021, Mighty Decade, the holding company of the Trust under the Share Award Scheme, and CS Sunshine entered into the Sale and Purchase Agreement, pursuant to which Mighty Decade has conditionally agreed to acquire and CS Sunshine has conditionally agreed to dispose of 40,357,688 Sale Shares (representing approximately 1.6% of the total number of issued Shares as at the Latest Practicable Date), for the total consideration of HK\$273,625,124.64, equivalent to HK6.78 per Sale Share. The consideration for the Proposed Trust's Acquisition will be satisfied by the internally generated funds of the Company.

As stated in the paragraph headed "The Sale and Purchase Agreement" in the "Letter from the Board" of the Circular, completion of the Proposed Trust's Acquisition will be conditional upon the satisfaction of, amongst others, the following conditions:

- (a) the Company having obtained the requisite Shareholders' approval in respect of the transaction contemplated under the Sale and Purchase Agreement pursuant to the Listing Rules;
- (b) the warranties of CS Sunshine as set out in the Sale and Purchase Agreement remaining true, accurate and not misleading as if repeated at the time of Completion and at all times between the date of the Sale and Purchase Agreement and the Completion;
- (c) the warranties of Mighty Decade as set out in the Sale and Purchase Agreement remaining true, accurate and not misleading as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and the Completion; and
- (d) the Share Buy-back Agreement having become unconditional.

Except for conditions precedent (b) to (c) above, none of the conditions above is capable of being waived by CS Sunshine or the Company.

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## LETTER FROM ALTUS CAPITAL LIMITED

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### *2.2 The Company's existing mandate to repurchase shares*

On 29 June 2021, the Shareholders granted the Directors as general mandate to repurchase up to 254,925,349 Shares, representing approximately 10% of the Company's total number of issued Shares as at the date of the AGM (as defined below), at the annual general meeting of the Company held on 29 June 2021 (the "AGM"). Such mandate is valid until the earlier of (i) the conclusion of the next annual general meeting of the Company following the AGM; or (ii) the expiry of the period within which the next annual general meeting of the Company following the AGM is required by any applicable laws or the Articles of Association to be held; or (iii) the passing of an ordinary resolution by Shareholders in general meeting of the Company revoking or varying such mandate.

After obtaining the abovementioned mandate, on 25 August 2021, the Board announced its intention to exercise its power to repurchase Shares in the open market at appropriate timing. According to the August 2021 Announcement, the Company's rationale for the share buy-back is that while its financial position is solid and healthy, the prevailing trading price of Shares does not reflect their intrinsic value and business prospects. The Company is also of the view that the share buy-back reflects the Company's recognition of its own value and its confidence in the long-term prospects of the industry.

Between 26 August 2021 and 13 September 2021, the Company had conducted on-market share buy-back on 10 market days, acquiring a total of 26,898,000 Shares from the market, representing approximately 10.6% of the number of repurchase shares granted under the general mandate. These on-market share buy-backs were conducted at prices between HK\$7.44 per Share and HK\$8.72 per Share, at a volume weighted average price of approximately HK\$8.45 per Share. These 26,898,000 Shares bought back had since been cancelled on 1 November 2021.

The Proposed Share Buy-back is therefore consistent with the prevailing plan of the Company in respect of its equity capital structure and can be viewed as part of its overall share repurchase strategy. It is also noted that the Proposed Share Buy-back Price (as defined below) is lower than the range of prices and represented a discount of approximately 19.8% to the volume weighted average price of approximately HK\$8.45 per Share which the Company had been repurchasing Shares from the open market during the period from 26 August 2021 to 13 September 2021, rendering it more favourable compared with the Company's previous share repurchases.

### *2.3 The Company's existing Share Award Scheme*

According to the July 2019 Announcement, the Company adopted the Share Award Scheme on 16 July 2019 with the objective of attracting and motivating talents and contributors, and retaining them in the Group and to develop and strengthen their relationships with the Group. The Board may from time to time, at its absolute discretion select participants for participation in the Share Award Scheme and determine the number of Shares to be awarded, which shall be paid for using funds allocated by the Board out of the Company's resources.

We note that the Shares to be awarded may comprise new Shares or existing Shares. In particular, where the awards are not granted directly to the selected participants and are granted to the scheme trustee appointed by the Company for the benefit of the selected participants, the scheme trustee shall purchase from the open market or subscribe from the Company the relevant number of Shares so awarded and shall hold such Shares until they are vested in accordance with the terms of the Share Award Scheme.

The Proposed Trust's Acquisition is consistent with the operation of the Share Award Scheme.

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### 3. Evaluation of the Proposed Share Buy-back Price and the Proposed Trust's Acquisition Price

As stated in the "Letter from the Board" of the Circular, the price for each Buy-back Share and Sale Share (the "**Proposed Share Buy-back Price**" and "**Proposed Trust's Acquisition Price**") of HK\$6.78 per Share represents:

- (a) the closing price of HK\$6.78 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 0.62% over the average closing price of HK\$6.74 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 1.01% over the average closing price of HK\$6.71 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 0.06% over the average closing price of HK\$6.776 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 1.17% to the average closing price of HK\$6.86 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a discount of approximately 6.29% to the average closing price of HK\$7.24 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (g) a discount of approximately 12.98% to the average closing price of HK\$7.79 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (h) a premium of approximately 22.38% over the unaudited consolidated net asset value per Share attributable to Shareholders as at 30 June 2021 of approximately HK\$5.54 per Share<sup>1</sup>; and
- (i) a premium of approximately 35.31% over the audited consolidated net asset value per Share attributable to Shareholders as at 31 December 2020 of approximately HK\$5.01 per Share<sup>2</sup>.

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## LETTER FROM ALTUS CAPITAL LIMITED

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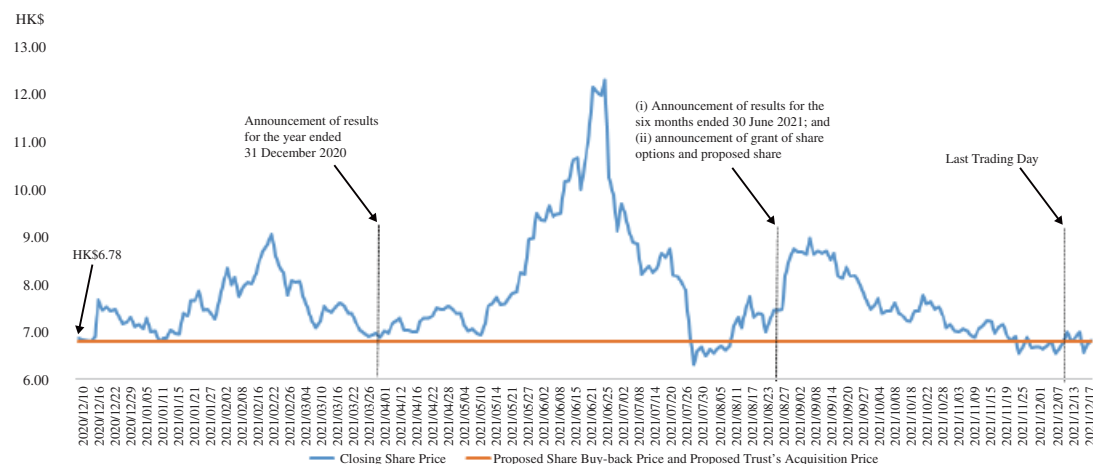
*Notes:*

- (1) The unaudited consolidated net assets per Share attributable to equity holders of the Company as at 30 June 2021 was approximately RMB4.61, which was calculated based on the unaudited consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2021 of approximately RMB11,732,515,000 and on the basis that the weighted average number of ordinary Shares in issue was 2,545,337,013 during the six months ended 30 June 2021. For illustration purposes only, the amount denominated in RMB has been converted into HK\$ at an exchange rate of RMB1.00 to HK\$1.2018 as at 30 June 2021.
  
- (2) The audited consolidated net assets per Share attributable to equity holders of the Company as at 31 December 2020 was approximately RMB4.22, which was calculated based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2020 of approximately RMB10,689,314,000, and on the basis that the weighted average number of ordinary Shares in issue was 2,534,742,913 for the year ended 31 December 2020. For illustration purposes only, the amount denominated in RMB has been converted into HK\$ at an exchange rate of RMB1.00 to HK\$1.1882 as at 31 December 2020.

# LETTER FROM ALTUS CAPITAL LIMITED

## 3.1 Historical Share price performance

The chart below illustrates the historical closing prices of Shares in the past year from 10 December 2020 to the Last Trading Day (“**Pre-Announcement Period**”) and subsequent to that up to the Latest Practicable Date (“**Post-Announcement Period**”) (collectively, the “**Review Period**”).



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

During the Review Period, closing price of Shares had generally remained stable from early December 2020 to end January 2021, hovering between HK\$6.77 per Share and HK\$7.81 per Share. During the month of February 2021, Share closing price increased to a high of close to HK\$9.00 per Share but this did not sustain for long as closing price declined back to below HK\$8.00 per Share level in early March 2021 and remained as such until end May 2021. We note that during the aforesaid period from end October 2020 to end May 2021, besides the announcement of its financial results for the year ended 31 December 2020 which was published on 30 March 2021, the Company regularly made voluntary announcements on progress of its drug development and commercialisation. These announcements did not appear to have noticeable and material effects on prices of Shares.

More pronounced upward price movements were observed from around 21 May 2021 as closing price increased from HK\$7.79 per Share on 24 May 2021 to a high of HK\$12.16 per Share on 24 June 2021. It was noticed from regulatory filings with the Stock Exchange that during this period, there had been several large block of Shares being traded by several institutions. However, we are not aware of any underlying reason causing such increase. After recording the high on 24 June 2021, closing price of Shares drastically declined, reaching below HK\$6.50 per Share level by 30 July 2021. Closing price recovered slightly to HK\$7.42 per Share on 24 August 2021 before the Company’s announcements of its interim results for the six months ended 30 June 2021 and its share repurchase plan on 25 August 2021. From 26 August 2021 where the Company commenced its recent share repurchase, closing price of Shares increased to a high of HK\$8.90 per Share on 6 September 2021. This did not sustain as closing price then decreased to around HK\$7.12 level by end October 2021. From early November to early December 2021, the Share closing price started to hover between HK\$6.53 per Share and HK\$7.21 per Share. As at the Last Trading Day and Latest Practicable Date, the closing price of the Share was HK\$6.78 and HK\$6.79 respectively.

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## LETTER FROM ALTUS CAPITAL LIMITED

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During the Review Period, the Shares had generally traded at higher than the Proposed Share Buy-back Price and Proposed Trust's Acquisition Price of HK\$6.78 per Share, including in the Post-Announcement Period.

Overall, we did not notice any underlying reason for the general downward trend of Share closing price since September 2021 as the recent financial performance of the Company, based on its financial results for the six months ended 30 June 2021 as further elaborated in the paragraph headed "1.2 Financial information of the Group" above, has been improving and its prospects generally positive. We therefore concur with the Board, per the August 2021 Announcement relating to its intention to repurchase Shares, that the divergence between the price of Shares and the financial performance and prospects of the Company presented the Company a reasonable opportunity to repurchase its Shares. Looking further back since the Company's listing on the Stock Exchange on 11 June 2015 (the "**Listing**"), we note that the divergence in terms of prices of Shares and the Group's financial performance appears most pronounced in recent months. For example, while the Group's net profit for a six-month period during 6MFY2021 was relatively high at approximately RMB891.0 million compared with full year amounts of approximately RMB1,277.2 million, RMB980.2 million and RMB771.1 million for FY2018, FY2019 and FY2020 respectively, the prices of Shares are now trading at close to its lowest level since Listing. Hence, we are of the view that the Proposed Share Buy-back Price is fair and reasonable, in particular, from the perspective of historical price trend relative to its financial performance. On the same basis, we are also of the view that the Proposed Trust's Acquisition Price is fair and reasonable.

### **3.2 Historical liquidity of the Shares**

As at the Latest Practicable Date, a total of 2,522,355,499 Shares were in issue, of which 1,389,531,616 Shares were held by public Shareholders. The table below sets out information of the market trading liquidity of Shares during the Review Period:

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**LETTER FROM ALTUS CAPITAL LIMITED**

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<b>Month</b>	<b>Average daily trading volume (number of Shares)</b>	<b>Average daily trading volume as a percentage to total number of issued Shares<sup>(1)</sup></b>	<b>Average daily trading volume as a percentage to total number of issued Shares held by public Shareholders<sup>(2)</sup></b>
December 2020	8,460,153	0.34%	0.61%
January 2021	12,411,535	0.49%	0.89%
February 2021	15,023,711	0.60%	1.08%
March 2021	8,530,609	0.34%	0.61%
April 2021	7,233,868	0.29%	0.52%
May 2021	18,763,760	0.74%	1.35%
June 2021	49,968,733	1.98%	3.60%
	<i>31,891,310<sup>(3)</sup></i>	<i>0.56%</i>	<i>1.02%</i>
July 2021	28,140,429	1.12%	2.03%
August 2021	17,511,727	0.69%	1.26%
September 2021	10,124,195	0.40%	0.73%
October 2021	6,260,389	0.25%	0.45%
November 2021	8,364,932	0.33%	0.60%
December 2021 (up to and including the Last Trading Day)	8,937,488	0.35%	0.64%
13 December 2021 to the Latest Practicable Date	15,624,760	0.62%	1.12%

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

- (1) Based on the total number of issued Shares as at each month on period end.
- (2) Based on the total number of issued Shares held by the public Shareholders as at the Latest Practicable Date.
- (3) A total of 411,517,200 Shares were transacted on 25 June 2021, which is exceptionally high and augmented by purchase of over 200 million Shares by an institution based on its regulatory filing. If this anomalous trading day is excluded, the average daily trading volume for June 2021 would have been 31,891,310 Shares.

Overall, the trading liquidity of Shares during the Review Period had been moderately high. In particular, during the months of June and July 2021, trading liquidity could have been augmented by several large transactions by certain institutional Shareholders based on their regulatory filings with the Stock Exchange. However, we are not aware of any underlying reason causing such exceptional trading volume. We have considered the ease of conducting the Proposed Share Buy-back and the Proposed Trust's Acquisition through open market using the average daily trading volume over the Review Period as illustration. In this respect, the aggregate of 126,117,775 Shares relating to the



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## LETTER FROM ALTUS CAPITAL LIMITED

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Proposed Share Buy-back and the Proposed Trust's Acquisition represents trading activities of around 8 to 9 trading days (1).

<b>Period</b>	<b>Average daily trading volume</b> <i>(number of Shares)</i>	<b>Number of trading days</b> <sup>(1)</sup> <i>(approximate)</i>
Review Period	15,964,349	8
Review Period (excluding the 411,517,200 Shares transacted on 25 June 2021)	14,394,694	9

*Note:*

- (1) For illustration of the number of trading days during the said period will take in order for the 126,117,775 Shares under the Proposed Share Buy-back and the Proposed Trust's Acquisition be transacted through open market; calculated by dividing 126,117,775 Shares by the average daily trading volume.

Based on the above liquidity analysis, it is apparent that from the Company's perspective, the Proposed Share Buy-back is an opportunity to execute its repurchase program as announced on 25 August 2021 by transacting in a significant block of Shares at a known and fixed price; which otherwise may take an uncertain period to execute and at prices which are not known. The Proposed Share Buy-back and the Proposed Trust's Acquisition would also enable the Company and CS Sunshine to maintain an orderly market trading by conducting the transaction off-market as execution of such a significant sale orders by CS Sunshine on market and at the same time the Company placing significant buy orders to repurchase and acquire Shares may cause significant volatility to the price of Shares. We are of the view that the above is beneficial to the Company and the Independent Shareholders as a whole.

### **3.3 Comparable analysis**

To assess the fairness and reasonableness of the Proposed Share Buy-back Price and the Proposed Trust's Acquisition Price, we have also considered the valuation of the Company based on such price. We have performed analysis on the price-to-earnings ratio (the "**P/E Ratio(s)**"), being a common parameter in assessing a company's value, of companies which are listed on the Main Board and are engaged in similar businesses to those of the Group for comparison purposes ("**Comparables**"). We have set the following selection criteria for the purpose of identifying Comparables:

- (i) the shares of which are listed on the Main Board and of comparable size to the Company with closing market capitalisation as at the Last Trading Day of between HK\$10 billion and HK\$30 billion (the Company's implied market capitalisation based on the Proposed Share Buy-back Price and the Proposed Trust's Acquisition Price is approximately HK\$17.1 billion; which was the same as its closing market capitalisation on the Last Trading Day);
- (ii) principally engaged in the development, manufacturing and sale of pharmaceutical products in the PRC; and
- (iii) profit making in their most recent full financial year.

## LETTER FROM ALTUS CAPITAL LIMITED

Based on the above criteria, we have identified five Comparables. Cognisant that there exists no company which can be of exactly the same business model, scale of operation, trading prospect, target markets, product mix and capital structure, we nevertheless believe the Comparables selected based on the aforesaid criteria is appropriate to serve as a benchmark reference for our comparable analysis purpose. We have conducted our research and the Comparables are exhaustive based on the selection criteria set out above and would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the Proposed Share Buy-back Price and the Proposed Trust's Acquisition Price. Our relevant findings are summarised in the following table:

Stock code	Company name	Principal activities	Main products	Market capitalisation <sup>(1)</sup> (HK\$ billion)	P/E Ratio <sup>(2)</sup> (times)
1513	Livzon Pharmaceutical Group Inc.	Engaged in the research and development, production and sales of pharmaceutical products	Western medicine preparation such as gastrointestinal drugs, cardiovascular drugs and antimicrobial drugs and gonadotrophin drugs, Chinese medicine preparation, active pharmaceutical ingredient and intermediates, diagnostic reagents and equipment	24.4	11.7
2186	Luye Pharma Group Ltd.	Engaged in the development, production, marketing and sale of pharmaceutical products, as well as provision of contract research and process development	Paclitaxel for chemotherapy treatment of cancer, sodium glycididazole for radiotherapy for solid tumours, Chinese medicine for treatment of hypercholesterolaemia, and Rivastigmine Transdermal Patches for treatment of Alzheimer's disease and dementia, among others	12.3	14.3
460	Sihuan Pharmaceutical Holdings Group Ltd.	Engaged in the research and development, manufacture and sales of pharmaceutical products	Products applicable in cardio-cerebral vascular system, central nervous system, metabolism, oncology and anti-infective fields	13.3	23.1
2096	Simcere Pharmaceutical Group Limited	Engaged in research and development, production and sales of drugs. Provision of promotion services for third-party drugs sold by medical institutions	Mainly generic drugs for central nervous system diseases, oncology and for autoimmune diseases. Also produces innovative drugs for oncology	23.1	28.3
2005	SSY Group Limited	Engaged in the research and development, manufacture and sale of pharmaceutical products	Finished medicines of mainly intravenous infusion solution. Non-PVC (Polyvinyl chloride) soft bag infusion solution, PP (Polypropylene) plastic bottle infusion solution and glass bottle infusion solution	10.7	17.5
			<b>Maximum</b>		<b>28.3</b>
			<b>Mean</b>		<b>19.0</b>
			<b>Median</b>		<b>17.5</b>
			<b>Minimum</b>		<b>11.7</b>
<b>1530</b>	<b>The Company</b>			<b>17.1<sup>(3)</sup></b>	<b>16.8<sup>(3)</sup></b>

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM ALTUS CAPITAL LIMITED

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*Notes:*

- (1) Calculated based on the closing share price and number of Shares in issue as at the Latest Practicable Date sourced from the website of the Stock Exchange.
- (2) P/E Ratios of the Comparables are calculated based on their respective market capitalisation as at the Latest Practicable Date (calculated based on their respective closing prices multiplied by the total number of issued shares as at the Latest Practicable Date), divided by the net profit extracted from their respective latest published annual reports prior to the Latest Practicable Date. Where applicable, for illustrative purpose, RMB has been translated into HK\$ with exchange rates of RMB1 to HK\$1.22 respectively as quoted from The Hong Kong Association of Banks as at the Latest Practicable Date.
- (3) The implied market capitalisation and P/E Ratio of the Company are calculated based on the Proposed Share Buy-back Price and the Proposed Trust's Acquisition Price.

As shown in the table above, the valuation of the Company based on the implied market capitalisation arrived at using the Proposed Share Buy-back Price and the Proposed Trust's Acquisition Price, translates into an implied P/E Ratio of approximately 16.8 times. This is within the P/E Ratio range of the Comparables of approximately 11.7 times to 28.3 times. The implied P/E Ratio of approximately 16.8 times is lower than the Comparables' P/E Ratio mean and median of approximately 19.0 times and 17.5 times respectively. Based on the above, we are of the view that the Proposed Share Buy-back Price and the Proposed Trust's Acquisition Price, from a valuation comparable analysis perspective, is fair and reasonable.

#### **4. Rationale for the Proposed Share Buy-back and the Proposed Trust's Acquisition**

Set out below are certain key considerations that the Company has taken into account when considering the Proposed Share Buy-back and the Proposed Trust's Acquisition.

- (ii) Good opportunities for the Company to enhance its earnings per Share and the rate of return on capital.
- (iii) Reflect the Company's recognition of its own value and confidence in the long-term prospects of the industry and the Company.
- (iv) Consistent with the Company's prevailing share buy-back plan as disclosed in its announcement dated 25 August 2021 and such off-market transactions will be conducted at a more favourable price than those of the on-market share repurchases recently conducted by the Company during August and September 2021.
- (v) Enable the Company to acquire more Shares during off-market hours without causing significant disturbance to the price and volume of the Shares during trading hours so as to maintain an orderly market.
- (vi) Minimise the impact of a disposal of a significant number of Shares by a substantial shareholder onto the market so that any potential significant market volatility and investors' concern can otherwise be avoided or minimised.

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## LETTER FROM ALTUS CAPITAL LIMITED

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For further details, please refer to the paragraph headed “Reasons for and benefits of the Proposed Share Buy-back and the Proposed Trust’s Acquisition” in the “Letter from the Board” of the Circular.

In this regard, as elaborated in the paragraph headed “3.2 Historical liquidity of the Shares” above, we concur with the Management that the Proposed Share Buy-back and the Proposed Trust’s Acquisition would enable the Company and CS Sunshine to maintain an orderly market trading by conducting the transaction off-market, as execution of such a significant sale orders by CS Sunshine on market may cause significant market volatility. In addition, as elaborated in the paragraph headed “6.1 Effects on earnings per Share” below, we note the Proposed Share Buy-back would enhance the Company’s earnings per Share and thus the rate of return on capital, which in turn, is beneficial to the Shareholders. We also concur with the Management that the Proposed Share Buy-back is consistent with the Company’s prevailing share buy-back plan and will be conducted at a more favourable price as compared to those purchased by the Company from open market during August and September 2021 as elaborated in the paragraph headed “2.2 The Company’s existing mandate to repurchase shares” above, partly due to the fact that the closing price of Shares was generally in a downward trend since end of August and early September 2021 to the Last Trading Day. Taking into account the Company’s recent financial performance and generally positive prospects, as further elaborated in the paragraph headed “3.1 Historical Share price performance” above, we concur with the Board that the divergence between the price of Shares and the financial performance and prospects of the Company, which appears most pronounced in recent months, presented the Company a reasonable opportunity to repurchase its Shares.

Further, we understand from the Management that the Company has considered its prevailing financial resources before deciding to conduct the Proposed Share Buy-back and the Proposed Trust’s Acquisition. Based on the unaudited financial position of the Group as at 30 June 2021, the Group had a net current assets position of approximately RMB6.07 billion and cash and cash equivalents of approximately RMB2.92 billion. It also maintained a sound financial performance during the six-month period ended 30 June 2021, recording profit for the period of approximately RMB891.0 million. The total cash required to conduct the Proposed Share Buy-back and the Proposed Trust’s Acquisition will be equivalent to approximately RMB855.1 million. Based on the Group’s prevailing financial performance and financial position, we concur with the Management’s view that the Group is in reasonable financial health and that it has the necessary financial resources to conduct the Proposed Share Buy-back and the Proposed Trust’s Acquisition without significantly compromising its liquidity position required for its normal business operations.

### *Alternatives to the Proposed Share Buy-back and the Proposed Trust’s Acquisition*

The Management has considered the alternatives that may achieve the objective of the Proposed Share Buy-back, being (i) to repurchase Shares from the open market; or (ii) to conduct a voluntary cash offer to repurchase such number of Shares from the Shareholders.

In this respect, as elaborated in the paragraph headed “2.2 The Company’s existing mandate to repurchase shares” above, the Company has more recently been conducting repurchase of Shares from the open market over 10 business days between 26 August 2021 and 13 September 2021, repurchasing a total of 26,898,000 Shares. The total number of Shares purchased on each business day ranged from 634,500 Shares on 6 September 2021 to 6,550,000 Shares on 13 September 2021, and the price paid for repurchase during those days ranged from HK\$7.44 per Share on 26 August 2021 to HK\$8.72 per Share on 6 September 2021.

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## LETTER FROM ALTUS CAPITAL LIMITED

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The Proposed Share Buy-back involves 85,760,087 Shares at HK\$6.78 per Share, and the closing price per Share was HK\$6.79 as at the Latest Practicable Date. We note that it is uncertain how long it would take the Company to acquire 85,760,087 Shares from the market as that is dependent on the market trading liquidity of the Shares. There is also uncertainty as to the price to be paid for the repurchase as that is dependent on supply and demand of the Shares.

Using the number of Shares under the Proposed Share Buy-back as an illustration; a voluntary cash offer will involve the Company making an offer to all the Shareholders proposing to proportionately buy-back 3.4% of each Shareholder's shareholding. Each Shareholder is free to decide whether to accept, not accept or partially accept such offer. We have conducted research on similar off-market cash offers by companies listed in Hong Kong and noted that from June 2020 to the Latest Practicable Date, six companies had conducted such exercise, all of which were successfully completed. In those cases, their buy-back prices when compared with their last traded price before the relevant offers were announced ranged from premiums of approximately 8.4% to 53.9%, with simple average of approximately 29.5%.

In short, if the Company is to conduct a share buy-back by general offer in lieu of the Proposed Share Buy-back, a buy-back price with premium to the closing price as at the Last Trading Day will likely be required. In comparison, the Proposed Share Buy-back involves repurchasing Shares from CS Sunshine at the Proposed Share Buy-back Price which is equivalent to the closing price of Shares as at the Last Trading Day and represent a discount of approximately 0.15% to the closing price of Shares as at the Latest Practicable Date. The number of Shares that can be successfully repurchased from a share buy-back by general offer is uncertain as Shareholders may decide not to tender or partially tender their Shares under the offer. In addition, we understand from the Management that the cost of implementing a voluntary cash offer will be more expensive, and the time to execute such transaction will be longer than the Proposed Share Buy-back.

The concept above similarly applies to the Proposed Trust's Acquisition, where there is no certainty as to how long it may take to acquire such number of Shares from the market and as to the purchase prices required to execute such repurchases. By the same token, there is no certainty as to the number of Shares that could be acquired by conducting a voluntary cash offer to acquire such number of Share from the Shareholders. Similarly, the cost of implementing a voluntary cash offer will be more expensive, and the time to execute such transaction will be longer than the Proposed Trust's Acquisition.

Having considered the alternatives above, we concur with the Management that, on balance, the Proposed Share Buy-back and the Proposed Trust's Acquisition are more expedient methods in achieving the objectives of the Company. Overall, we concur with the Management's rationale for conducting the Proposed Share Buy-back and Proposed Trust's Acquisition.

### **5. Effect on the shareholding structure of the Company**

As set out in the paragraph headed "Effects of the Proposed Share Buy-back and the Proposed Trust's Acquisition on the Shareholding structure of the Company" in the "Letter from the Board" of the Circular, the following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition.

## LETTER FROM ALTUS CAPITAL LIMITED

	As at the Latest Practicable Date		Assuming that all options under The Empire Trust have been exercised as at the Latest Practicable Date		Immediately after the completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition		Immediately after the completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition and assuming that all options under The Empire Trust are exercised	
	Number of Shares	% of total no. of issued Shares	Number of Shares	% of total no. of issued Shares	Number of Shares	% of total no. of issued Shares	Number of Shares	% of total no. of issued Shares
Decade Sunshine Limited <sup>(1)</sup>	476,774,553	18.90%	476,774,553	18.70%	476,774,553	19.57%	476,774,553	19.36%
Hero Grand Management Limited <sup>(2)</sup>	50,174,510	1.99%	50,174,510	1.97%	50,174,510	2.06%	50,174,510	2.04%
Dr. Lou Jing	—	—	440,000	0.02%	—	—	440,000	0.02%
Directors <sup>(3)</sup>	133,662,460	5.30%	134,102,460	5.26%	133,662,460	5.48%	134,102,460	5.44%
Mighty Decade	—	—	—	—	40,357,688	1.66%	40,357,688	1.64%
Subtotal for the Company's Concert Group	660,611,523	26.19%	661,491,523	25.95%	700,969,211	28.77%	701,849,211	28.50%
CS Sunshine	472,212,360	18.72%	472,212,360	18.53%	346,094,585	14.20%	346,094,585	14.05%
Other public Shareholders	1,389,531,616	55.09%	1,415,212,616	55.52%	1,389,531,616	57.03%	1,415,212,616	57.45%
<b>Total</b>	<b>2,522,355,499</b>	<b>100%</b>	<b>2,548,916,499</b>	<b>100%</b>	<b>2,436,595,412</b>	<b>100%</b>	<b>2,463,156,412</b>	<b>100%</b>

*Notes:*

- Decade Sunshine Limited is a company controlled by Dr. LOU Jing.
- 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 is under the class of a beneficiary of the trust. As at the Latest Practicable Date, TMF (Cayman) Ltd. was an independent third party trustee service provider that is indirectly owned by TMF Sapphire Topco B.V. and no individual had an interest in 10% or more of the shares in TMF Sapphire Topco B.V. and the directors of TMF (Cayman) Ltd. were Evert Rakers and Lesley den Exter. As at the Latest Practicable Date, Hero Grand Management Limited held approximately 1.99% of the total issued share capital of the Company, of which 1.66% was held on trust for Dr. LOU Jing and 0.33% was held for itself.
- The Directors (comprising Ms. SU Dongmei and Mr. HUANG Bin but excluding Dr. LOU Jing), together with Mr. TAN Bo, a former director of the Company and Medical Recovery Limited (which is controlled by three of the Directors, namely Dr. LOU Jing, Ms. SU Dongmei and Mr. HUANG Bin), held approximately 5.30% of the total issued share capital of the Company in aggregate as at the Latest Practicable Date. As at the Latest Practicable Date, Ms. SU Dongmei, Mr. HUANG Bin, Mr. TAN Bo and Medical Recovery Limited held 24,384,630 Shares, 32,197,350 Shares, 42,090,000 Shares and 34,990,480 Shares, respectively, which accounted for approximately 0.97%, 1.28%, 1.67% and 1.39% of the total issued Shares as at the Latest Practicable Date, respectively, and approximately 0.96%, 1.26%, 1.65% and 1.37% of the total issued Shares, respectively, assuming that all options under The Empire Trust had been exercised as at the Latest Practicable Date.

Assuming there are (i) no changes to the shareholdings of the public Shareholders and the total number of issued Shares of the Company; and (ii) the options under The Empire Trust have not been exercised, from the Latest Practicable Date to the date of Completion and cancellation of the Buy-back Shares, the interest of the public Shareholders in the Company's total number of issued Shares will increase from approximately 55.09% to approximately 57.03%.

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## LETTER FROM ALTUS CAPITAL LIMITED

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### 6. Financial effects of the Proposed Share Buy-back and the Proposed Trust's Acquisition

As a result of the Proposed Share Buy-back, the number of issued Shares would have decreased from 2,522,355,499 Shares as at the Latest Practicable Date to 2,436,595,412 Shares. This section sets out analysis on potential financial effects of the Proposed Share Buy-back and the Proposed Trust's Acquisition on the Group. It should be noted that the figures and financial impact shown below are for illustrative purpose only.

#### 6.1 *Effects on earnings per Share*

As reported in the 2021 Interim Report, its earnings per Share attributable to equity holders of the Company in 6MFY2021 was approximately RMB0.35. Upon completion of the Proposed Share Buy-back and the corresponding cancellation of Buy-back Shares, the number of issued Shares of the Company would reduce. As shown in the "Unaudited pro forma financial information of the Group" as set out in Appendix II to the Circular, the earnings per Share attributable to equity holders of the Company would be improved to approximately RMB0.37 assuming the Proposed Share Buy-back had taken place on 1 January 2021. The Proposed Trust's Acquisition will have no effect on the Company's earnings per Share.

#### 6.2 *Effects on net assets per Share*

The unaudited consolidated net assets per Share attributable to equity holders of the Company as at 30 June 2021 was approximately RMB4.61. As shown in the "Unaudited pro forma financial information of the Group" as set out in Appendix II to the Circular, the net assets per Share attributable to equity holders of the Company would be reduced to approximately RMB4.55 assuming the Proposed Share Buy-back and the Proposed Trust's Acquisition had taken place on 30 June 2021 as the Proposed Share Buy-back Price and the Proposed Trust's Acquisition Price is at a premium to the net assets per Share.

Notwithstanding the above lower net assets per Share, given the nature of the Company's business, we are of the view that earnings are more appropriate yardstick in measuring the performance of the Company. We are therefore of the view that the Proposed Share Buy-back has an apparent positive financial effect on the way the Company is valued and perceived by investors and the market.

### RECOMMENDATION

Having considered the above principal factors and reasons, in particular,

- (i) the closing price of Shares during the Review Period had generally been higher than the Proposed Share Buy-back Price and the Proposed Trust's Acquisition Price;
- (ii) the Proposed Share Buy-back Price and the Proposed Trust's Acquisition Price represents an implied P/E Ratio of approximately 16.8 times, which is lower than the mean and median of the P/E Ratios of the Comparables;



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## LETTER FROM ALTUS CAPITAL LIMITED

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- (iii) the Proposed Share Buy-back is consistent with the Company's prevailing share buy-back plan as disclosed in the August 2021 Announcement, while the Proposed Share Buy-back Price represents a discount of approximately 19.8% to the volume weighted average price of approximately HK\$8.45 per Share which the Company had been repurchasing Shares from the open market during August and September 2021, partly due to the fact that the closing price of Shares was generally in a downward trend since end of August and early September 2021 to the Last Trading Day;
- (iv) the divergence between the price of Shares and the financial performance and prospects of the Company as further elaborated in the paragraph headed "3.1 Historical Share price performance" above presented the Company a reasonable opportunity to repurchase its Shares;
- (v) the Proposed Share Buy-back and the Proposed Trust's Acquisition would enable the Company and CS Sunshine to maintain an orderly market trading by conducting the transaction off-market as execution of such a significant sale orders may cause significant volatility to the price of Shares;
- (vi) the Proposed Share Buy-back would enhance the Company's earnings per Share and thus the rate of return on capital, which in turn, is beneficial to the Shareholders;
- (vii) the Group is in reasonable financial health and has the necessary financial resources to conduct the Proposed Share Buy-back and the Proposed Trust's Acquisition without significantly compromising its liquidity position required for its normal business operations; and
- (viii) having considered the alternatives as detailed in the paragraph headed "4. Rationale for the Proposed Share Buy-back and the Proposed Trust's Acquisition" above, on balance, the Proposed Share Buy-back and the Proposed Trust's Acquisition are more expedient methods in achieving the objectives of the Company,

we consider that although the Transactions are not in the ordinary and usual course of business of the Company, (i) the terms of the Transactions are fair and reasonable and in the interests of the Independent Shareholders; (ii) the Transactions are in the interests of the Company; and (iii) the Transactions are on normal commercial terms. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions.

Yours faithfully,  
For and behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Executive Director*

**Chang Sean Pey**  
*Executive Director*

*Ms. Jeanny Leung ("Ms. Leung") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

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*Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

## 1. FINANCIAL SUMMARY

The Company is required to set out or refer to in this circular the consolidated statements of financial position, consolidated statement of cash flows and any other primary statement of the Group as shown in the audited consolidated financial statements of the Group for the years ended 31 December 2018, 2019 and 2020 together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information. The audited consolidated financial statements of the Group for each of the years ended 31 December 2018, 2019 and 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk/>) and the Company (<http://www.3sbio.com/>), respectively:

- (i) the audited consolidated financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 30 April 2019, from pages 79 to 210 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn20190430690.pdf>);
- (ii) the audited consolidated financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 29 April 2020, from pages 83 to 212 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900870.pdf>); and
- (iii) the audited consolidated financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company published on 30 April 2021, from pages 84 to 212 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043000837.pdf>).

Set out below is a summary of the financial information of the Group for each of the years ended 31 December 2018, 2019 and 2020 as extracted from the relevant annual reports of the Company.

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the year ended 31 December 2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	4,583,869	5,318,091	5,587,636
Gross profit	3,706,614	4,392,744	4,524,725
Other income and gains	429,810	218,107	178,171
Selling and distribution expenses	(1,691,167)	(1,950,733)	(2,019,717)
Administrative expenses	(316,751)	(676,009)	(452,776)
Research and development costs	(362,706)	(526,565)	(590,343)
Other expenses	(123,662)	(114,024)	(549,472)
Finance costs	(138,382)	(109,476)	(81,066)
Share of profits and losses of:			
A joint venture	—	4,970	(525)
Associates	(8,245)	(16,001)	(29,868)
Profit before income tax	1,495,511	1,223,013	979,129
Income tax expense	(218,265)	(242,785)	(208,023)
Profit for the year	1,277,246	980,228	771,106

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the year ended 31 December 2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
(Loss)/Profit for the year attributable to:			
Owners of the Company	1,277,167	973,717	835,791
Non-controlling interests	79	6,511	(64,685)
Total comprehensive expense for the year attributable to:			
Owners of the Company	1,381,052	1,002,308	909,054
Non-controlling interests	79	6,511	(64,685)
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Earnings per share			
Basic	0.50	0.38	0.33
Diluted	0.49	0.38	0.33
Dividends			
Proposed and declared dividend	—	—	—
<b>Consolidated Assets and Liabilities</b>			
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	13,839,655	14,809,306	17,678,195
Total liabilities	4,932,285	4,449,987	4,584,860
Total equity	8,907,370	10,359,319	13,093,335
Equity attributable to the Company's shareholders			
Share capital	156	155	155
Treasury shares	(40,586)	—	—
Share premium	4,376,056	4,307,795	4,297,946
Other reserves	4,278,807	5,317,091	6,391,213
Non-controlling interests	292,937	734,278	2,404,021
Total equity	8,907,370	10,359,319	13,093,335

**Interim Results**

The following unaudited financial information is extracted from the interim report of the Company for the six months ended 30 June 2021 published on 30 September 2021, from pages 40 to 76 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0930/2021093000585.pdf>).

	<b>1 January to 30 June</b>	
	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	2,695,177	3,107,135
Gross profit	2,217,080	2,587,144
Other income and gains	96,756	159,186
Selling and distribution expenses	(972,266)	(1,152,026)
Administrative expenses	(148,788)	(167,382)
Research and development costs	(254,348)	(344,851)
Other expenses	(58,279)	(7,539)
Finance costs	(43,624)	(32,333)
Share of profits and losses of:		
A joint venture	138	(1,278)
Associates	(18,093)	(15,068)
Profit before income tax	818,576	1,025,853
Income tax expense	(132,829)	(134,828)
Profit for the period	685,747	891,025
(Loss)/Profit for the period attributable to:		
Owners of the parent	702,482	898,908
Non-controlling interests	(16,735)	(7,883)
Earnings per share	RMB	RMB
Basic	0.35	0.28
Diluted	0.34	0.27

The management discussion and analysis of the Company for the six months ended 30 June 2021 and each of the financial years ended 31 December 2018, 2019 and 2020 are disclosed in the interim report of the Company for the six months ended 30 June 2021 and annual reports of the Company for the financial years ended 31 December 2018, 2019 and 2020, respectively.

The Company's auditors, Ernst & Young, have not issued any modified opinion, emphasis of matter or material uncertainty related to going concern of the Group on its financial statements for the three years ended 31 December 2020.

Save as disclosed above, the Group had no other material income or expense for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021.

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following outstanding borrowings:

	<b>Unsecured and Unguaranteed</b>	<b>Secured and Unguaranteed</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank borrowings	190,000	120,757	310,757
Convertible bonds	<u>2,338,698</u>	<u>—</u>	<u>2,338,698</u>
	<u>2,528,698</u>	<u>120,757</u>	<u>2,649,455</u>

As at 31 October 2021, the secured bank borrowings of RMB120,757,000 were secured by land and buildings of the Group.

Save as disclosed above, and apart from the intra-group liabilities, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowing or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 October 2021.

## 3. MATERIAL CHANGE

Save and except for the following information which have been disclosed in the 2021 Interim Report, the Directors confirmed that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of Company were made up, up to and including the Latest Practicable Date:

1. The Group's revenue has continued to increase mainly due to the sales growth of TPIAO. For the year ended 31 December 2020, the Group's revenue amounted to approximately RMB5,587.6 million, while for the six months ended 30 June 2021, the Group's revenue amounted to approximately RMB3,107.1 million, representing approximately 55.6% of the revenue for the year ended 31 December 2020.
2. The Group's foreign exchange gains, which are recorded in the line item "other income and gains" in the Group's consolidated statement of profit or loss, have continued to increase. For the year ended 31 December 2020, the Group's other income and gains amounted to approximately RMB178.2 million, while for the six months ended 30 June 2021, the Group's other income and gains amounted to approximately RMB159.2 million, representing approximately 89.3% of the other income and gains for the year ended 31 December 2020.

3. The Group's other expenses and losses have continued to decrease mainly due to the absence of foreign exchange losses and write-off expenses; for the year ended 31 December 2020, the Group recorded write-off expenses of approximately RMB161.8 million from the termination of the exclusive distribution rights in relation to Bydureon and Humulin. For the year ended 31 December 2020, the Group's other expenses and losses amounted to approximately RMB549.5 million, while for the six months ended 30 June 2021, the Group's other expenses and losses amounted to approximately RMB7.5 million.

#### 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group intends to leverage its position as the leading biopharmaceutical company in the PRC to continue to build its strength in R&D, production and marketing platforms. The Group plans to boost 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. The Group focuses on developing leading biologic products, including TPIAO, recombinant human erythropoietin (“rhEPO”) products EPIAO and SEPO, Yisaipu, and Mandi, all of which are market leaders in the PRC. With its rich product portfolio comprising 35 pipeline candidates of which 24 candidates have been developed as innovative drugs, the Group is well positioned to build up its in-house clinical development capacity and expedite the clinical progress in order to advance its integrative research capability.

Since the introduction of the reform of the evaluation and approval of new drugs in the PRC, there has been promising prospects in the biopharmaceuticals industry, with evidence of rapid growth. Adhering to the national guidance on independent innovation and further deepening of medical security, 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. Looking forward, the Group plans to build large-scale biopharmaceutical production capacity to provide more supply at lower prices. As for the market expectation for Mandi as a consumer product, the Group intends to leverage on its advantageous position as a leading external OTC hair growth medicine with remarkable safety profile and efficacy to achieve a higher penetration and sustain rapid performance growth.

The Group has been expanding its therapeutic coverage by adding products through internal R&D and various external strategic partnerships on the themes of “global innovation” and “field synergy”. In particular, the Group has established global product collaborations with its partners including Toray, Samsung Bioepis, Refuge Biotechnologies, Verseau, TLC, Numab, GenSight and Sensorion. With the development of more quality products through technology collaborations, the Group has introduced high-quality drugs from across the world into the PRC to satisfy the unmet clinical needs of domestic patients. The Group actively accelerates the clinical and commercial progress of in-licensed products, namely nafurafil hydrochloride orally disintegrating tablets (TRK-820) and amphotericin B liposome (Ampholipad™), in the PRC 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, the effects of COVID-19 pandemic were significantly alleviated in the PRC. Despite the persisting uncertainties caused by the impact of overseas pandemic conditions and threat from viruses mutation, the Group will continue to operate in a prudent and positive manner. Drawing on the experiences of managing and operating in the new normalcy of the pandemic condition, the Group is deploying more mature and systemic measures to ensure that its business and operations are moving forward on track, secured and strong.



**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

For illustrative purposes, the financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out herein to provide further information about how the financial information of the Group might be affected by the completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition on the assumption that the Proposed Share Buy-back and the Proposed Trust's Acquisition had been completed as at 30 June 2021 and 1 January 2021.

The following are illustrative and unaudited pro forma statements of adjusted consolidated net assets per Share and adjusted earnings per Share (the "Unaudited Pro Forma Financial Information") of the Group attributable to equity holders of the Company which have been prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Proposed Share Buy-back and the Proposed Trust's Acquisition as if it had taken place on 30 June 2021 for the unaudited pro forma adjusted consolidated net assets per Share attributable to equity holders of the Company after completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition or 1 January 2021 for the unaudited pro forma adjusted earnings per Share attributable to equity holders of the Company after completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position or financial results of the Group had the Proposed Share Buy-back and the Proposed Trust's Acquisition been completed as at 30 June 2021 and 1 January 2021.

	<b>Unaudited consolidated net assets attributable of the Group attributable to equity holders of the Company as at 30 June 2021 RMB'000 (Note 1)</b>	<b>Estimated costs to be incurred under the Proposed Share Buy-back and the Proposed Trust's Acquisition RMB'000 (Note 2)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2021 RMB'000</b>
Non-current assets	11,139,547	—	11,139,547
Current assets	7,401,698	(720,337)	6,681,361
Current liabilities (Note 3)	1,334,966	—	1,334,966
Net current assets (Note 3)	6,066,732	(720,337)	5,346,395
Non-current liabilities (Note 3)	3,077,626	—	3,077,626
Net assets	14,128,653	(720,337)	13,408,316
<b>Net assets attributable to equity holders of the Company</b>	<b>11,732,515</b>	<b>(720,337)</b>	<b>11,012,178</b>
*Including:			
— Cash and cash equivalents	2,919,683	(720,337)	2,199,346
Net assets per Share attributable to equity holders of the Company (RMB)	4.61 (Note 4)		4.55 (Note 5)

Unaudited pro forma statement of adjusted earnings per Share

	Unaudited consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2021 <i>RMB'000</i> (Note 1)	Earnings per Share attributable to equity holders of the Company for the six months ended 30 June 2021 <i>RMB</i> (Note 4)	Unaudited pro forma adjusted earnings per Share attributable to equity holders of the Company after completion of the Proposed Share Buy- back and the Proposed Trust's Acquisition <i>RMB</i> (Note 6)
Proposed Share Buy-back and the Proposed Trust's Acquisition of 126,117,775 Shares at HKD6.78 per Share	898,908	0.35	0.37

Notes:

- (1) The unaudited consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2021 and unaudited consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2021 are extracted from the published Interim Condensed Consolidated Statement of the Group for the six months ended 30 June 2021.
- (2) The estimated costs to be incurred under the Proposed Share Buy-back and the Proposed Trust's Acquisition of RMB720,337,000 include the Share buy-back costs of approximate RMB711,498,000, which is calculated based on 126,117,775 Shares to be bought back at the offer price of HKD6.78 per Share and the related transaction costs of approximately RMB8,839,000.
- (3) The estimated costs to be incurred under the Proposed Share Buy-back and the Proposed Trust's Acquisition will be settled by cash and therefore the Proposed Share Buy-back and the Proposed Trust's Acquisition will not have any effect on the liabilities of the Group, and the working capital (expressed as net current assets) as at 30 June 2021 would decrease by approximately RMB720,337,000 from approximately RMB6,066,732,000 to approximately RMB5,346,395,000.
- (4) The unaudited consolidated net assets per Share attributable to equity holders of the Company as at 30 June 2021 and the unaudited earnings per Share attributable to equity holders of the Company for the six months ended 30 June 2021 were approximately RMB4.61 and approximately RMB0.35 respectively, which was calculated based on the unaudited consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2021 of approximately RMB11,732,515,000 and the unaudited consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2021 of approximately RMB898,908,000 respectively, and on the basis that the weighted average number of ordinary Shares in issue were 2,545,337,013 throughout the six months ended 30 June 2021.

- (5) The unaudited pro forma adjusted consolidated net assets per Share attributable to equity holders of the Company after completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition is arrived at after taking into account of the following (i) the unaudited consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2021 of approximately RMB11,732,515,000 (Note 1) deducted by the estimated costs to be incurred under the Proposed Share Buy-back and the Proposed Trust's Acquisition of approximately RMB720,337,000 (Note 2) and (ii) on the basis that the weighted average number of ordinary Shares in issue were 2,545,337,013 during the six months ended 30 June 2021 and 126,117,775 Shares were bought-back and purchased under the Proposed Share Buy-back and the Proposed Trust's Acquisition, respectively, and therefore resulting in 2,419,219,238 Shares according to accounting treatment, assuming the Proposed Share Buy-back and the Proposed Trust's Acquisition had been completed on 30 June 2021.
- (6) The unaudited pro forma adjusted earnings per Share attributable to equity holders of the Company after completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition is arrived at after taking into account of the unaudited consolidated profit attributable to equity holders of the Company for six months ended 30 June 2021 of approximately RMB898,908,000 (Note 1) and on the basis that 2,545,337,013 Shares were in issue for six months ended 30 June 2021 and 126,117,775 Shares were bought back and purchased under the Proposed Share Buy-back and the Proposed Trust's Acquisition, respectively, and therefore resulting in 2,419,219,238 Shares throughout the six months ended 30 June 2021 according to accounting treatment, assuming the Proposed Share Buy-back and the Proposed Trust's Acquisition had been completed on 1 January 2021. The Directors confirm that the related transaction costs of approximately RMB8,839,000 will be debited in full to equity in accordance with the Company's accounting policies.
- (7) For the purposes of the consideration payable from the Proposed Share Buy-back and the Proposed Trust's Acquisition, the amount denominated in HKD has been converted into RMB at an exchange rate of RMB1.00 to HKD 1.2018 as at 30 June 2021. No representation is made that the HKD amounts have been, could have been or may be converted to RMB, at that rate or at all; and
- (8) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2021.

**B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular of the Company.*



27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*To the Directors of 3SBio Inc.*

We have completed our assurance engagement to report on the compilation of Unaudited pro forma financial information of 3SBio Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma adjusted financial information consists of the unaudited pro forma statement of adjusted consolidated net assets per share attributable to equity holders of the Company as at 30 June 2021, the unaudited pro forma statement of adjusted earnings per share attributable to equity holders of the Company for the six months ended 30 June 2021 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-3 of the circular of the Company dated 22 December 2021 (the "Circular"), in connection with, among others, the proposed share buy-back by the Company and the proposed trust's acquisition by Mighty Decade, a holding company of the Trust under the share award scheme adopted by the Company, of an aggregate of 126,117,775 Shares HKD6.78 per Share (the "Proposed Share Buy-back and the Proposed Trust's Acquisition"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Offer on the Group's financial position as at 30 June 2021 and the Group's financial results for the six months ended 30 June 2021 as if the transaction had taken place at 30 June 2021 and 1 January 2021 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited consolidated financial statements for the six months ended 30 June 2021.

**Directors' responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young

*Certified Public Accountants*

Hong Kong

22 December 2021

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Buy-backs Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

<b>Date</b>	<b>Closing price of the Shares HK\$</b>
30 June 2021	9.6
30 July 2021	6.47
31 August 2021	8.67
30 September 2021	7.65
29 October 2021	7.12
30 November 2021	6.67
10 December 2021 (being the Last Trading Day)	6.78
Latest Practicable Date	6.79

The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$12.16 on 24 June 2021 and HK\$6.3 on 27 July 2021, respectively.



### 3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

The authorised and issued share capital of the Company as at the Latest Practicable Date, and as a result of the Proposed Share Buy-back, were and will be as set out below:

<i>Authorised share capital</i>	<i>US\$</i> <i>(Approximate)</i>
<u>50,000,000,000</u> Shares as at the Latest Practicable Date	<u>500,000.00</u>
Issued and fully paid or credited as fully paid:	
2,522,355,499 Shares as at the Latest Practicable Date	25,223.55
<u>85,760,087</u> Shares to be bought back and cancelled pursuant to the Share Buy-back	<u>857.60</u>
<u>2,436,595,412</u> Shares after cancellation of the Buy-back Shares	<u>24,365.95</u>

All issued Shares are ordinary shares in the share capital of the Company and rank equally in all respects with each other, including, rights to dividends, voting rights and return of capital. The Shares in issue are listed on the Stock Exchange.

#### (a) 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 and amended on 28 June 2016 (the “**Share Option 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 Share Option Scheme, the Company was authorised to issue up to 242,439,857 ordinary shares (subject to possible adjustments), which represented approximately 9.61% of the issued shares as at the Latest Practicable Date. The purpose of the Share Option 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.

As at the Latest Practicable Date, the number of Shares which remained outstanding under the Share Option Scheme was 26,561,000, representing approximately 1.05% of the Shares in issue at that date. The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue. Any further grant of options in excess of such limit shall be subject to issuance of a circular by the Company and approval from the Shareholders in accordance with the Listing Rules.

Details of share options, which were granted on 2 February 2017 at an exercise price at HK\$7.62 per Share and on 25 August 2021 at an exercise price at HK\$7.43 per Share, are as follows:

Date of grant	Exercise price (HK\$)	Number of options outstanding	
		as at the Latest Practicable Date	Exercise period
2 February 2017	7.62	16,561,000	10 years from the date of grant
25 August 2021	7.43	10,000,000	10 years from the date of grant
		26,561,000	

#### (b) Share Award Scheme

On 16 July 2019, the Board approved the adoption of Share Award Scheme, as amended on 12 December 2021, to achieve its objectives to incentivise, attract and motivate talents and contributors, to retain them in the Group and develop and strengthen their relationships with the Group. Not only does the Share Award Scheme allow acquisition of Shares to satisfy share awards granted by the Company from time to time, it also allows the purchase or subscription of the Reserved Shares, under which Shares may be awarded to selected participants in accordance with the provisions of the Share Award Scheme.

As at the Latest Practicable Date, the Company had 5,000,000 Awards to be issued under the Share Award Scheme subject to the satisfaction of the relevant conditions for the vesting of the Awards.

Subject to any early termination as may be determined by the Board pursuant to the terms of the Scheme, or unless the Board by resolutions, resolve otherwise, the Scheme shall be valid and effective for a term of ten years commencing on 16 July 2019. Pursuant to the Share Award Scheme, the Board shall cause to pay the trustee of the Share Award Scheme trust the subscription or purchase price for the Shares and the related expenses from the Company's resources. If Share awards are to be comprised of new Shares, such new Shares shall be allotted and issued by the Board to the selected participants (excluding Directors and/or connected persons of the Group) using the general mandate granted to them by the Shareholders from time to time unless separate Shareholders' approval is obtained in a general meeting of the Company.

#### (c) Convertible securities

On 12 July 2017, the Group, through Strategic International Group Limited, a direct wholly-owned subsidiary of the Company, conducted an international offering of the 2022 Bonds, 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 listing of and permission to deal in the 2022 Bonds became effective on 24 July 2017. The information regarding the 2022 Bonds is summarized in note 32 to the consolidated financial statements and the Company's announcements dated 12 July 2017, 13 July 2017 and 21 July 2017.

As announced on 29 June 2020, Strategic International Group Limited successfully completed the repurchase of the 2022 Bonds and the issuance to institutional investors of the 2025 Bonds, which was guaranteed by the Company. The listing of, and permission to deal in, the 2025 Bonds on the Stock Exchange became effective on 30 June 2020.

As at the Latest Practicable Date, 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, which represented (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 8.41% of the issued share capital of the Company as at the Latest Practicable Date and approximately 7.75% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the issue of the Conversion Shares. The Company has a general mandate sufficient to cover the shares issuable 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 the Latest Practicable Date		Assuming that the Bonds are fully converted at initial conversion price		Immediately after the completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition		Immediately after the completion of the Proposed Share Buy-back and the Proposed Trust's Acquisition and assuming the Bonds are fully converted at initial conversion price	
	Number of Shares	% of total no. of issued Shares	Number of Shares	% of total no. of issued Shares	Number of Shares	% of total no. of issued Shares	Number of Shares	% of total no. of issued Shares
	Decade Sunshine Limited <sup>(1)</sup>	476,774,553	18.90%	476,774,553	17.44%	476,774,553	19.57%	476,774,553
Hero Grand Management <sup>(2)</sup>	50,174,510	1.99%	50,174,510	1.83%	50,174,510	2.06%	50,174,510	1.89%
Dr. Lou	—	—	—	—	—	—	—	—
Directors <sup>(3)</sup>	133,662,460	5.30%	133,662,460	4.89%	133,662,460	5.48%	133,662,460	5.05%
Mighty Decade	—	—	—	—	40,357,688	1.66%	40,357,688	1.52%
<b>Subtotal for the Company's Concert Group</b>	<b>660,611,523</b>	<b>26.19%</b>	<b>660,611,523</b>	<b>24.16%</b>	<b>700,969,211</b>	<b>28.77%</b>	<b>700,969,211</b>	<b>26.46%</b>
CS Sunshine	472,212,360	18.72%	472,212,360	17.27%	346,094,585	14.20%	346,094,585	13.07%
Bondholders	—	—	212,035,521	7.75%	—	5.48%	212,035,521	8.01%
Other public Shareholders	1,389,531,616	55.09%	1,389,531,616	50.82%	1,389,531,616	57.03%	1,389,531,616	52.46%
<b>Total</b>	<b>2,522,355,499</b>	<b>100%</b>	<b>2,734,391,020</b>	<b>100%</b>	<b>2,436,595,412</b>	<b>100%</b>	<b>2,648,630,933</b>	<b>100%</b>

*Notes:*

- Decade Sunshine Limited is a company controlled by Dr. Lou Jing.
- 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 the Latest Practicable Date, Hero Grand Management Limited held approximately 1.99% of the total issued share capital of the Company, of which 1.66% was held on trust for Dr. Lou Jing and 0.33% was held by itself.
- To the best knowledge of the Company, the Directors (other than Dr. Lou Jing), together with a relevant former director and Medical Recovery Limited (which is controlled by three of the Directors), held approximately 5.30% of the total issued share capital of the Company in aggregate as at the Latest Practicable Date.

During the two-year period immediately preceding the date of the Announcement, the Company has issued Shares, details of which are set out as follows:

<b>Date of issue</b>	<b>Number of Shares issued</b>	<b>Issue price per Share (HK\$)</b>	<b>Proceeds received by the Company (HK\$)</b>
22 April 2020	5,000	7.62	38,100
24 April 2020	18,000	7.62	137,160
11 June 2020	7,500	7.62	57,150
19 June 2020	15,000	7.62	114,300
10 July 2020	33,000	7.62	251,460
14 July 2020	7,500	7.62	57,150
15 July 2020	24,000	7.62	182,880
17 July 2020	4,959,367	0.000078	386.83
10 September 2020	51,000	7.62	388,620
14 April 2021	5,000,000	0.000078	390
25 May 2021	500	7.62	3,810
28 May 2021	24,500	7.62	186,690
31 May 2021	36,000	7.62	274,320
1 June 2021	36,000	7.62	274,320
3 June 2021	54,000	7.62	411,480
7 June 2021	18,000	7.62	137,160
8 June 2021	10,000	7.62	76,200
9 June 2021	20,000	7.62	152,400
11 June 2021	102,000	7.62	777,240
17 June 2021	30,000	7.62	228,600
18 June 2021	10,000	7.62	76,200
21 June 2021	15,000	7.62	114,300
22 June 2021	203,000	7.62	1,546,860
23 June 2021	93,500	7.62	712,470

Save as disclosed above, there has been no issue of Shares of the class of the Buy-back Shares during the two-year period immediately preceding the date of the Announcement and up to the Latest Practicable Date.

There was no re-organisation of capital of the Company during the two financial years preceding the date of the Announcement.

During the 12 months immediately preceding the date of this circular, the Company has bought back Shares on-market, details of which are set out as follows:

<b>Date of Share bought-back</b>	<b>Number of Shares bought-back</b>	<b>Highest price paid per Shares (HK\$)</b>	<b>Lowest price paid per Shares (HK\$)</b>	<b>Total price paid by the Company (HK\$)</b>
26 August 2021	950,000	7.8	7.44	7,242,500
27 August 2021	1,000,000	8.12	7.7	8,034,205
30 August 2021	2,500,000	8.43	8.41	21,067,510
1 September 2021	3,650,000	8.64	8.46	31,230,350
2 September 2021	5,500,000	8.6	8.44	46,921,695
6 September 2021	634,500	8.72	8.7	5,527,150
7 September 2021	1,713,500	8.6	8.55	14,727,190
8 September 2021	2,300,000	8.6	8.54	19,710,105
10 September 2021	2,100,000	8.6	8.47	17,967,685
13 September 2021	6,550,000	8.49	8.23	54,955,290

Save as disclosed above, since the end of the last financial year of the Company and during the 12 months immediately preceding the Announcement and up to the Latest Practicable Date, the Company has not bought back any Shares.

Save as disclosed above, the Group did not have any other options, warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date.

#### 4. DIVIDENDS

During the two-year period immediately preceding the date of this circular and up to the Latest Practicable Date, the Company has not declared or paid out any dividends.

The Company's ability to pay dividends to Shareholders depends on a number of factors including the financial position of the Group, investment opportunities available to the Group and the general market conditions. The Company will strike a balance between preserving cash for the Group for its operational and investment needs and distributing dividends to Shareholders. The Company has no plan or intention to alter its present dividend policy.

## 5. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of the Directors and chief executives of the Company in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; and (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

#### *Interests in the Shares, underlying shares and debentures of the Company*

Name of Director	Position	Nature of the interest	Number of Shares or underlying Shares held	Total	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date (Note 1)
LOU Jing (Note 2)	Executive Director	Beneficial owner	440,000(L)		
		Beneficiary of a trust	50,174,510(L)		
		Other	476,774,553(L)	527,389,063(L)	20.91%
SU Dongmei (Note 3)	Executive Director	Interest in controlled corporation	24,384,630(L)		
		Beneficial owner	440,000(L)	24,824,630(L)	0.98%
HUANG Bin (Note 4)	Non-executive Director	Interest in controlled corporation	32,197,350(L)	32,197,350(L)	1.28%

*Note:*

- (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 2,522,355,499 Shares in issue as at the Latest Practicable Date.
- (2) Dr. Lou Jing was granted 660,000 share options by the Company, of which 220,000 share options were lapsed in August 2021. Dr. Lou Jing was a beneficiary under two unnamed trusts which were interested in 50,174,510 Shares and 476,774,553 Shares, respectively. Dr. Lou Jing is the enforcer and is under the class of 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.
- (3) Ms. Su Dongmei directly held 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, of which 220,000 share options were lapsed in August 2021.
- (4) Mr. Huang Bin directly held 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).

***Interests in the shares, underlying shares and debentures of the associated corporations of the Company — Sunshine Guojian***

<b>Name of Director</b>	<b>Position</b>	<b>Nature of interest</b>	<b>Number of shares held in the associated corporation</b>	<b>Approximate percentage of outstanding share capital of the associated corporation</b>
Lou Jing	Executive Director	Interest in controlled corporation	25,160,657(L) (Note 1)	4.54%
Su Dongmei	Executive Director	Others (Note 2)	200,000(L) (Note 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 adopted by Sunshine Guojian as announced on 2 July 2019 by the Company, for purposes of holding the awarded shares granted to Dr. Lou Jing. Upon completion of the Offering of Sunshine Guojian on 22 July 2020, 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 at the Latest Practicable Date 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 adopted by Sunshine Guojian as announced on 2 July 2019 by the Company, 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 of Sunshine Guojian on 22 July 2020, 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 Latest Practicable Date reflects Ms. Su Dongmei's interests position as required to be disclosed under the SFO.

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed or taken to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; and (iv) to be disclosed under the Takeovers Code.

**(b) Substantial Shareholders' interests in Shares and underlying Shares**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholder	Nature of the interest	Number of Shares or underlying Shares held	Total	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date (Note 1)
<b>Decade Sunshine Limited</b> (“DSL”) (Note 2)	Beneficial owner	476,774,553(L)	476,774,553(L)	18.90%
<b>Century Sunshine Limited</b> (“CSL”) (Note 2)	Interest in controlled corporation	476,774,553(L)	476,774,553(L)	18.90%
<b>XING Lily</b> (Note 3)	Interest in controlled corporation	476,774,553(L)		
	Interest of your spouse	50,614,510(L)	527,389,063(L)	20.91%
<b>Lambda International Limited</b> (Note 2)	Interest in controlled corporation	476,774,553(L)	476,774,553(L)	18.90%
<b>TMF (Cayman) Ltd.</b> (Note 4)	Trustee	590,336,043(L)	590,366,043(L)	23.40%
<b>CS Sunshine</b> (Note 5)	Beneficial owner	472,212,360(L)	472,212,360(L)	18.72%
<b>CPEChina Fund, L.P.</b> (Note 5)	Interest in controlled corporation	472,212,360(L)	472,212,360(L)	18.72%
<b>Citron PE Associates, L.P.</b> (Note 5)	Interest in controlled corporation	472,212,360(L)	472,212,360(L)	18.72%
<b>Citron PE Funds Limited</b> (Note 5)	Interest in controlled corporation	472,212,360(L)	472,212,360(L)	18.72%
<b>Citron PE Holdings Limited</b> (Note 5)	Interest in controlled corporation	472,212,360(L)	472,212,360(L)	18.72%

Name of Shareholder	Nature of the interest	Number of Shares or underlying Shares held	Total	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date (Note 1)
<b>CLSA Global Investment Management Limited (Note 5)</b>	Interest in controlled corporation	472,212,360(L)	472,212,360(L)	18.72%
<b>CITIC Securities International Company Limited (Note 5)</b>	Interest in controlled corporation	472,212,360(L)	472,212,360(L)	18.72%
<b>CITIC Securities Company Limited (Note 5)</b>	Interest in controlled corporation	472,212,360(L)	472,212,360(L)	18.72%
<b>Gaoling Fund, L.P. (Note 6)</b>	Beneficial owner	223,514,977(L)	223,514,977(L)	8.86%
<b>BlackRock, Inc.</b>	Interest in controlled corporation	157,040,807(L)	157,040,807(L)	6.23%

*Notes:*

(L): denotes long position

(S): denotes short position

(P): denotes lending pool

- (1) The calculation is based on the total number of 2,522,355,499 Shares in issue as at the Latest Practicable Date.
- (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. With respect to certain changes in the interest of spouse, given that the resulting change of the total deemed interest of Ms. XING Lily 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 the Latest Practicable Date reflects that of Ms. XING Lily's interests positions as required to be disclosed under the SFO.

- (4) TMF (Cayman) Ltd. was the trustee with respect to four unnamed trusts, which respectively were interested in 476,774,553, 34,990,480, 26,561,000, and 50,174,510 Shares, 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 at the Latest Practicable Date reflects that of TMF (Cayman) Ltd.'s interests positions as required to be disclosed under the SFO.
- (5) CS Sunshine was an investment vehicle wholly-owned by CPEChina Fund, L.P. which was an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of CPEChina Fund, L.P. was Citron PE Associates, L.P. (formerly known as CITIC PE Associates, L.P.), an exempted limited partnership registered under the laws of the Cayman Islands, whose general partner was Citron PE Funds Limited (formerly known as CITIC PE Funds Limited). Citron PE Funds Limited was wholly-owned by Citron PE Holdings Limited (formerly known as CITICPE Holdings Limited), which was owned as to 35% by CLSA Global Investments Management Limited. CLSA Global Investments Management Limited was wholly-owned by CLSA B.V., which was wholly-owned by CITIC Securities International Company Limited, which in turn was wholly-owned by CITIC Securities Company Limited, a company listed on both the Stock Exchange (Stock Code: 6030) and the Shanghai Stock Exchange (Stock Code: 600030).

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company or their respective associates) had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

Save as disclosed above, none of the Directors is aware of any person (other than Mr. Lou Jing, Ms. Su Dongmei and Mr. Huang Bin) who, as at the Latest Practicable Date, had a long or short position in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(c) Directors' role in substantial shareholders**

Dr. Lou Jing, the executive Director and chairman of the Board, is also a director of DSL and CSL. Mr. Tang Ke is a director of CS Sunshine. Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 6. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

Save as disclosed above, as at the Latest Practicable Date:

- (a) save for the Share Buy-back Agreement and the Sale and Purchase Agreement, none of the holders of 10% or more of the voting rights of the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (b) save as disclosed in the shareholding structure table under the paragraph headed “Effects on the Shareholding Structure of the Company” in the section headed “Letter from the Board” in this circular and in the paragraph headed “Disclosure of Interests” in this appendix, none of CS Sunshine and parties acting in concert with it, the Directors and any person acting in concert with the Directors had any shares, convertible securities, warrants, options or other derivatives of the Company or dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company during the Relevant Period;
- (c) there had been no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Company, any Director or any person acting in concert with any Director had borrowed or lent during the Relevant Period;
- (d) no person had irrevocably committed himself/herself/itself to vote for or against the resolution to be proposed at the EGM;
- (e) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of CS Sunshine and parties acting in concert with it and which might be material to the Proposed Share Buy-back; and
- (f) there was no other agreement or arrangement to which CS Sunshine and parties acting in concert with it, the Company or any person acting in concert with the Company is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-back Agreement.

## 7. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

## 8. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 9. DIRECTOR’S INTERESTS IN ASSETS/CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group since the date up to which the latest published audited consolidated financial statements of the Group were made.

## 10. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

## 11. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Listing Rules) had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

## 12. NO MATERIAL ADVERSE CHANGES

The Directors confirm that, as far as they are aware as at the Latest Practicable Date, there have been no material adverse changes in the financial or trading position or outlook of the Group since the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

## 13. CONSENT AND QUALIFICATION OF EXPERT

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

<b>Name</b>	<b>Qualifications</b>
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance
Ernst & Young	Certified Public Accountants

Each of the above experts has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letters, reports and/or opinion in the form and context in which it is included and the references to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the above experts did not have any interests, directly or indirectly, in any assets which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date, acquired, disposed of by or leased to any member of the Group, or were proposed to be acquired, disposed of by or leased to any member of the Group.

#### 14. MATERIAL CONTRACTS

Save for the contracts set out below, no contract (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years immediately preceding the date of the Announcement which are or may be material:

- (a) the Sale and Purchase Agreement; and
- (b) the Share Buy-back Agreement.

#### 15. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands.
- (b) The company secretary of the Company is Mr. LEE Kwok Fai Kenneth, who is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst.
- (c) The business office of the Independent Financial Adviser is situated at 21 Wing Wo Street, Central, Hong Kong.
- (d) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (e) The principal place of business of the Company in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

#### 16. DOCUMENTS ON DISPLAY

The following documents are available on display on: (i) the website of the Company (<http://www.3sbio.com/>); (ii) the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)); and (iii) the website of the SFC (<http://www.sfc.hk>), from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2018, 2019 and 2020;
- (c) the interim report of the Company for the six months ended 30 June 2021;
- (d) the letter from the Board, the text of which is set out on pages 5 to 21 of this circular;

- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 22 and 23 of this circular;
- (f) the letter from Altus Capital Limited, the text of which is set out on pages 24 to 47 of this circular;
- (g) the written consent referred to in the paragraph headed “Qualifications and Consents of Expert” in this appendix;
- (h) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;  
and
- (i) this circular.



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## NOTICE OF EGM

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三生制药  
3SBIO INC.

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1530)**

**(Convertible Bonds Code: 40285)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of 3SBio Inc. (the “**Company**”) will be held at No. 3 A1, Road 10, Shenyang Economy and Technology Development Zone, Shenyang, People’s Republic of China on Monday, 10 January 2022 at 9 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions. Words and expressions that are not expressly defined in this notice of EGM shall bear the same meanings as those defined in the circular of the Company dated Wednesday, 22 December 2021 (the “**Circular**”).

#### SPECIAL RESOLUTION

**1. “THAT subject to the passing of ordinary resolution numbered 2 herein:**

- (a) the Share Buy-back Agreement dated 12 December 2021 entered into between CS Sunshine and the Company in relation to the Proposed Share Buy-Back of 85,760,087 Shares of US\$0.00001 each in the issued share capital of the Company by the Company from CS Sunshine at the proposed total consideration of HK\$581,453,389.86 be and is hereby confirmed, approved and ratified;
- (b) the Proposed Share Buy-back and the transactions contemplated under the Share Buy-Back Agreement be and are hereby approved; and
- (c) any one or more of the Directors (or any person duly authorised by them) be and are hereby authorised to take all such steps to implement and give effect to the transactions mentioned in paragraphs (a) and (b) above (including but not limited to the execution of all documents or deeds as they may consider necessary or appropriate in relation thereto and the making of any changes, modifications, amendments, waivers, variations or extensions of such terms and conditions as they think fit).”

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## NOTICE OF EGM

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### ORDINARY RESOLUTION

**2. “THAT subject to the passing of special resolution numbered 1 herein:**

- (a) the Sale and Purchase Agreement dated 12 December 2021 entered into between CS Sunshine and Mighty Decade in relation to the Proposed Trust’s Acquisition of 40,357,688 Shares of US\$0.00001 each in the issued share capital of the Company by Mighty Decade from CS Sunshine at the proposed total consideration of HK\$273,625,124.64 be and is hereby confirmed, approved and ratified;
- (b) the Proposed Trust’s Acquisition and the transactions contemplated under the Sale and Purchase Agreement be and are hereby approved; and
- (c) any one or more of the Directors (or any person duly authorised by them) be and are hereby authorised to take all such steps to implement and give effect to the transactions mentioned in paragraphs (a) and (b) above (including but not limited to the execution of all documents or deeds as they may consider necessary or appropriate in relation thereto and the making of any changes, modifications, amendments, waivers, variations or extensions of such terms and conditions as they think fit).”

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

Shenyang, the PRC, 22 December 2021

*Registered office (in the Cayman Islands):*  
Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Head office:*  
No. 3 A1, Road 10  
Shenyang Economy and Technology  
Development Zone  
Shenyang  
The 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

*Notes:*

1. In order to determine the eligibility to attend and vote at the above meeting, the register of members of the Company will be closed from Wednesday, 5 January 2022 to Monday, 10 January 2022. To qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 4 January 2022.

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## NOTICE OF EGM

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2. Any member of the Company entitled to attend and vote at the above meeting (or any adjournment of thereof) is entitled to appoint one or more proxies as his/her/its proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. The Company strongly recommends you closely monitor the development of the situation with the COVID-19 and to assess, based on the social distancing policies, the necessity for attending the above meeting in person, and the board of Directors respectfully requests that, for the same reason, the shareholders to appoint the chairman of the above meeting as their proxy rather than a third party to attend and vote on their behalf at the above meeting (or any adjournment of that meeting).
3. In the case of joint registered holders of any shares in the Company, any one of such persons may vote at the above meeting, either personally or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at the above meeting personally or by proxy, that one so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

In order to be valid, the completed form of proxy must be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the above meeting or adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM and any adjournment of that meeting if you so wish, and if such event, the form of proxy will be deemed to be revoked.

4. Pursuant to Rule 13.39(4) of the Listing Rules and article 66(1) of the articles of association of Company, voting for the resolution set out in this notice will be taken by poll at the above meeting.
5. Taking into account the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the above meeting against the epidemic to protect the shareholders of the Company from the risk of infection: (i) compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be permitted to access to the meeting venue; (ii) every shareholder or proxy is required to wear surgical face mask throughout the meeting; (iii) no souvenirs will be provided; and (iv) no refreshments will be served.

*As at the date of this notice, the directors of the Company are Dr. LOU Jing and Ms. SU Dongmei as executive Directors; Mr. HUANG Bin and Mr. TANG Ke as non-executive Directors; and Mr. PU Tianruo, Dr. WONG Lap Yan and Ms. YANG Hoi Ti Heidi as independent non-executive Directors.*