三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 40285)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS*

- Revenue decreased by RMB15.7 million or 0.5% to RMB3,091.4 million, as compared to the six months ended 30 June 2021.
- Gross profit decreased by RMB22.1 million or 0.9% to RMB2,565.0 million, as compared to the six months ended 30 June 2021. The gross profit margin decreased to 83.0% from 83.3% for the six months ended 30 June 2021.
- Research and development costs decreased by RMB50.8 million or 14.7% to RMB294.1 million, as compared to the six months ended 30 June 2021, accounting for 9.5% of revenue.
- Net profit attributable to owners of the parent increased by RMB55.6 million or 6.2% to RMB954.5 million, as compared to the six months ended 30 June 2021. Normalized net profit attributable to owners of the parent[1] increased by RMB63.8 million or 6.9% to RMB993.6 million, as compared to the six months ended 30 June 2021.
- EBITDA increased by RMB85.2 million or 7.2% to RMB1,262.6 million, as compared to the six months ended 30 June 2021. Normalized EBITDA[2] increased by RMB95.6 million or 8.1% to RMB1,273.2 million, as compared to the six months ended 30 June 2021.
- Total comprehensive income decreased by RMB134.6 million or 13.3% to RMB879.8 million, as compared to the six months ended 30 June 2021.

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

Notes:

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

2 The normalized EBITDA is defined as the EBITDA for the period excluding the same items as listed in Note 1 above.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of 3SBio is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	**2022 (Unaudited) *RMB'000***	2021 (Unaudited) *RMB'000*
REVENUE	*4*	**3,091,359**	3,107,135
Cost of sales		**(526,379)**	(519,991)
Gross profit		**2,564,980**	2,587,144
Other income and gains	*5*	**349,163**	159,186
Selling and distribution expenses		**(1,149,961)**	(1,152,026)
Administrative expenses		**(195,058)**	(167,382)
Research and development costs		**(294,112)**	(344,851)
Other expenses	*6*	**(123,351)**	(7,539)
Finance costs	*7*	**(34,663)**	(32,333)
Share of profits and losses of:			
A joint venture		**(654)**	(1,278)
Associates		**(11,646)**	(15,068)
PROFIT BEFORE TAX	*6*	**1,104,698**	1,025,853
Income tax expense	*8*	**(164,041)**	(134,828)
PROFIT FOR THE PERIOD		**940,657**	891,025
Attributable to:			
Owners of the parent		**954,516**	898,908
Non-controlling interests		**(13,859)**	(7,883)
		940,657	891,025
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	*10*	**RMB0.39**	RMB0.35
— Diluted	*10*	**RMB0.37**	RMB0.34

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
PROFIT FOR THE PERIOD	**940,657**	891,025
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**51,033**	(16,347)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**51,033**	(16,347)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(109,189)**	140,041
Income tax effect	**(2,693)**	(344)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(111,882)**	139,697
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(60,849)**	123,350
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**879,808**	1,014,375
Attributable to:		
Owners of the parent	**893,667**	1,022,258
Non-controlling interests	**(13,859)**	(7,883)
	879,808	1,014,375

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**3,618,240**	3,440,218
Right-of-use assets		**387,379**	388,035
Goodwill		**4,012,719**	3,843,883
Other intangible assets		**1,826,855**	1,849,164
Investment in joint ventures		**3,112**	3,767
Investments in associates		**633,201**	696,823
Equity investments designated at fair value through other comprehensive income		**532,411**	620,677
Prepayments, other receivables and other assets		**256,601**	298,835
Non-pledged time deposits	*13*	**96,940**	—
Deferred tax assets		**299,073**	280,475
Total non-current assets		**11,666,531**	11,421,877
CURRENT ASSETS			
Inventories		**766,780**	690,523
Trade and notes receivables	*12*	**1,166,775**	1,378,757
Prepayments, other receivables and other assets		**506,108**	768,726
Financial assets at fair value through profit or loss		**3,343,458**	1,900,023
Pledged deposits	*13*	**142,441**	184,592
Cash and cash equivalents	*13*	**2,929,191**	2,868,077
Total current assets		**8,854,753**	7,790,698
CURRENT LIABILITIES			
Trade and bills payables	*14*	**263,876**	230,407
Other payables and accruals		**1,221,654**	921,214
Deferred income		**31,042**	33,905
Interest-bearing bank and other borrowings	*15*	**250,191**	150,189
Lease liabilities		**11,451**	10,564
Tax payable		**94,693**	73,710
Total current liabilities		**1,872,907**	1,419,989
NET CURRENT ASSETS		**6,981,846**	6,370,709
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,648,377**	17,792,586

	Notes	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*15*	**1,317,809**	164,148
Lease liabilities		**30,081**	32,380
Convertible bonds		**2,233,399**	2,271,598
Deferred income		**379,796**	396,627
Deferred tax liabilities		**259,958**	264,468
Other non-current liabilities		**5,350**	5,568
Total non-current liabilities		**4,226,393**	3,134,789
Net assets		**14,421,984**	14,657,797
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**149**	155
Treasury shares		**(235,641)**	—
Share premium		**3,693,264**	4,152,181
Other reserves		**8,545,427**	8,075,114
		12,003,199	12,227,450
Non-controlling interests		**2,418,785**	2,430,347
Total equity		**14,421,984**	14,657,797

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2022, the Company and its subsidiaries were principally engaged in the development, production, marketing and sale of biopharmaceutical products in the mainland area ("**Mainland China**") of the People's Republic of China (the "**PRC**").

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively and the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**3,017,139**	3,053,540
Others	**74,220**	53,595
	3,091,359	3,107,135

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

(b) Non-current assets

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**8,850,822**	8,496,632
Others	**1,984,225**	2,024,093
	10,835,047	10,520,725

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

Information about major customers

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of biopharmaceuticals	**3,036,045**	3,067,085
Contract development and manufacturing operation business	**55,314**	40,050
	3,091,359	3,107,135

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of biopharmaceuticals	**3,036,045**	3,067,085
Contract development and manufacturing operation business	**55,314**	40,050
Total revenue from contracts with customers	**3,091,359**	3,107,135
Geographical markets		
Mainland China	**3,017,139**	3,053,540
Others	**74,220**	53,595
Total revenue from contracts with customers	**3,091,359**	3,107,135
Timing of revenue recognition		
Goods transferred at a point in time	**3,080,478**	3,100,627
Services transferred at a point in time	**10,881**	6,508
Total revenue from contracts with customers	**3,091,359**	3,107,135

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income	**61,830**	46,078
Dividend income from an equity investment at fair value through other comprehensive income	**—**	4,016
Government grants related to		
— Assets	**18,049**	14,522
— Income	**13,962**	7,457
Others	**4,244**	13,062
	98,085	85,135
Gains		
Foreign exchange differences, net	**251,078**	57,441
Gain on deemed disposal of investments in associates	**—**	16,610
	251,078	74,051
	349,163	159,186

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**520,343**	514,736
Cost of service provided	**6,036**	5,255
Depreciation of items of property, plant and equipment	**91,385**	89,147
Amortisation of other intangible assets	**77,666**	59,811
Depreciation of right-of-use assets	**10,045**	10,763
Amortisation of long-term deferred expenses	**6,007**	5,611
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**519,502**	512,862
Equity-settled compensation expenses	**10,543**	16,810
Pension scheme contributions	**41,252**	37,746
Social welfare and other costs	**64,836**	65,815
	636,133	633,233
Other expenses and losses:		
Donation	**8,814**	8,739
Loss on disposal of items of property, plant and equipment	**1,067**	524
Reversal of provision for impairment of long-term receivables	**—**	(2,800)
Provision for impairment of investment in an associate	**59,907**	—
Provision for impairment of trade receivables	**9,844**	4,010
Provision/(reversal of provision) for impairment of other receivables	**30,845**	(5,816)
Provision for litigation	**7,300**	—
Others	**5,574**	2,882
	123,351	7,539

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**5,441**	565
Interest on convertible bonds	**28,572**	30,683
Interest on lease liabilities	**650**	1,085
	34,663	32,333

8. INCOME TAX

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

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

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2022 as the Group had no assessable profits arising in Hong Kong.

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

Shenyang Sunshine, Sunshine Guojian, NERC, Sciprogen and Zhejiang Wansheng, which are qualified as High and New Technology Enterprises, were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2022.

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

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current	**189,842**	150,428
Deferred	**(25,801)**	(15,600)
Total tax charge for the period	**164,041**	134,828

9. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividend for ordinary shareholders of the Company recognised as distribution during the period:		
Final 2021 - HKD20 cents per share (2021: Final 2020: Nil)	**417,140**	—

A final dividend in respect of the year 2021 of Hong Kong Dollar ("**HKD**") 20 cents per share was proposed pursuant to a resolution passed by the Board on 28 March 2022 and was approved at the annual general meeting of the Company on 22 June 2022. The dividend had not been paid to the shareholders of the Company within the reporting period.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent of RMB954,516,000 for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB898,908,000) and the weighted average of 2,448,991,145 (for the six months ended 30 June 2021: 2,545,337,013) ordinary shares of the Company in issue during the reporting period, as adjusted to reflect the issue of ordinary shares during the reporting period.

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

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**954,516**	898,908
Interest on convertible bonds	**28,572**	30,683
Profit attributable to ordinary equity holders of the parent before interest and gain on convertible bonds	**983,088**	929,591

	Number of shares For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period used in the basic earnings per share calculation	**2,448,991,145**	2,545,337,013
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	818,823
Awarded shares	**12,635,448**	8,305,556
Convertible bonds	**212,035,522**	212,035,522
	2,673,662,115	2,766,496,914

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount at 1 January	**3,440,218**	2,621,379
Additions	**276,480**	1,030,622
Depreciation provided during the period/year	**(91,385)**	(183,029)
Disposals	**(2,672)**	(15,467)
Exchange realignment	**(4,401)**	(13,287)
Carrying amount at 30 June/31 December	**3,618,240**	3,440,218

A freehold land with a carrying amount of approximately RMB2,450,000 as at 30 June 2022 (31 December 2021: RMB2,524,000) is located in Italy.

The Group is in the process of applying for the title certificates of certain of its buildings with an aggregate book value of approximately RMB17,031,000 as at 30 June 2022 (31 December 2021: RMB17,764,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2022.

At 30 June 2022, certain of the Group's construction in progress, freehold land and buildings with aggregate carrying amounts of approximately RMB728,374,000 (31 December 2021: RMB578,823,000), RMB2,450,000 (31 December 2021: RMB2,524,000) and RMB74,972,000 (31 December 2021: RMB78,307,000) respectively were pledged to secure general banking facilities granted to the Group (note 15).

12. TRADE AND NOTES RECEIVABLES

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,214,929**	1,346,626
Notes receivable	**19,610**	89,927
	1,234,539	1,436,553
Provision for impairment of trade receivables	**(67,764)**	(57,796)
	1,166,775	1,378,757

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances, which are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**1,159,338**	1,297,344
1 to 2 years	**11,816**	6,806
Over 2 years	**43,775**	42,476
	1,214,929	1,346,626

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and bank balances	**2,888,944**	2,803,262
Restricted cash	**40,247**	64,815
Non-pledged time deposits	**96,940**	—
Pledged deposits	**142,441**	184,592
	3,168,572	3,052,669
Less:		
Pledged deposits	**(142,441)**	(184,592)
Non-pledged time deposits	**(96,940)**	—
Cash and cash equivalents	**2,929,191**	2,868,077

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

The Group's cash and cash equivalents and deposits as at 30 June 2022 are denominated in the following currencies:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Denominated in:		
— RMB	**2,033,862**	2,147,790
— HKD	**428,693**	267,370
— United States Dollar ("**USD**")	**613,714**	458,950
— Euro ("**EUR**")	**92,302**	178,557
— Great Britain Pound	**1**	2
	3,168,572	3,052,669

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the reporting period. Deposits of approximately RMB142,441,000 (31 December 2021: RMB184,592,000) have been pledged to secure letters of credit, bank acceptance bills and pending lawsuits and arbitration as at 30 June 2022.

14. TRADE AND BILLS PAYABLES

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**218,177**	198,307
3 to 6 months	**26,721**	23,896
Over 6 months	**18,978**	8,204
	263,876	230,407

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Bank loans — unsecured	**250,191**	150,189
Non-current		
Bank loans — unsecured	**1,069,246**	30,000
Bank loans — secured	**248,563**	134,148
Convertible bonds	**2,233,399**	2,271,598
	3,551,208	2,435,746
Total	**3,801,399**	2,585,935

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**250,191**	150,189
In the second year	**106,925**	—
In the third to tenth years, inclusive	**1,210,884**	164,148
	1,568,000	314,337

The Group's interest-bearing bank borrowings as at 30 June 2022 are denominated in the following currencies:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Denominated in:		
— RMB	**446,191**	260,189
— USD	**655,825**	—
— HKD	**413,421**	—
— EUR	**52,563**	54,148
	1,568,000	314,337

Notes:

(a) For the six months ended 30 June 2022, the bank borrowings bear interest at fixed interest rates ranging from 1.48% to 4.20% (31 December 2021: 2.75% to 4.20%) per annum.

(b) Certain of the Group's bank borrowings are secured by mortgages over the Group's freehold land, leasehold land, buildings and constructions in progress. Please refer to note 11.

(c) Certain of the Group's bank loans are secured by the equity interests in Northern Medicine Valley Desen（Shenyang) Biologics Co., Ltd. ("**Desen Biologics**") held by Shenyang Sunshine.

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

16. SHARE CAPITAL

Shares	30 June 2022 *RMB'000* (Unaudited)	31 December 2021 *RMB'000* (Audited)
Issued and fully paid:		
2,438,845,412 (31 December 2021: 2,522,355,499) ordinary shares	**149**	155

A summary of movements in the Company's issued share capital for the six months ended 30 June 2022 is as follows:

	Number of shares in issue	Share capital *RMB'000* (Unaudited)	Share premium *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Ordinary shares of USD0.00001 each at 31 December 2021 and 1 January 2022	2,522,355,499	155	4,152,181	4,152,336
Shares options exercised	2,250,000	—	16,757	16,757
Shares cancelled	(85,760,087)	(6)	(475,674)	(475,680)
Ordinary shares of USD0.00001 each at 30 June 2022	2,438,845,412	149	3,693,264	3,693,413

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

3SBio is a leading biotechnology company in the PRC. As a pioneer in the Chinese biotechnology industry, the Group has extensive expertise in researching, developing, manufacturing and marketing biopharmaceuticals. The core products of the Group include TPIAO (特比澳), recombinant human erythropoietin ("**rhEPO**") products EPIAO (益比奧) and SEPO (賽博爾), Yisaipu (益賽普), and Mandi (蔓迪). TPIAO is the only commercialized recombinant human thrombopoietin ("**rhTPO**") product in the world. According to IQVIA[1], the market share in the treatment of thrombocytopenia of TPIAO in Mainland China was 66.0% in the first half of 2022 in terms of sales value. With its two rhEPO products, the Group has been the premier market leader in the Mainland China rhEPO market for two decades, holding a total share of 44.1% in the first half of 2022. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a share of 28.2% in the Mainland China TNF α market in the first half of 2022. According to the data of Chinese Pharmaceutical Association (中國藥學會, "**CPA**"), Mandi has a dominant market share of 71.9% in the Mainland China minoxidil tincture market in terms of sales value in the first half of 2022. The Group has been expanding its therapeutic coverage by adding products through internal research and development ("**R&D**") and various external strategic partnerships. Meanwhile, the Group boosts its revenue scale through strategic positioning in contract development and manufacturing operation ("**CDMO**") business. Its operation officially commenced since December 2021, witnessing strong growth in Mainland China.

Key Events

Anti-PD1 mAb Out-licensed to Syncromune

As announced on 4 January 2022, Sunshine Guojian entered into a licensing agreement with Syncromune Inc. ("**Syncromune**"), a bio-pharmaceutical company headquartered in the U.S., to develop and commercialize Sunshine Guojian's anti-programmed cell death protein 1 ("**PD1**") monoclonal antibody ("**mAb**") (Group R&D code: 609A) for use with Syncrovax™ immuno-oncology combination therapy worldwide. As part of the partnership, Sunshine Guojian received an upfront payment and may receive future regulatory and sales milestone payments and other incentives; Syncromune acquired the global development and commercialization right of 609A for its Syncrovax™, while Sunshine Guojian still holds all the global rights beyond Syncrovax™.

The phase I trial of 609A in the U.S. has been completed, and its phase II trials in Mainland China are ongoing. Based on public records, 609A displays stronger anti-tumor potency in animal models than Keytruda and Opdivo, two imported drugs on market with same target.

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

Application for the Market Launch of 5% Minoxidil Foam

As announced on 11 January 2022, the application for the market launch of 5% Minoxidil Foam submitted to the PRC National Medical Products Administration ("**NMPA**") was accepted for the treatment of androgenetic alopecia. 5% Minoxidil Foam is the new-generation anti-hair loss and hair growth product of the Group, which is expected to be the first minoxidil foam approved for market launch in Mainland China. The application was based on a multi-centered, double-blind, randomized controlled clinical trial on patients with androgenetic alopecia to assess 5% Minoxidil Foam and ROGAINE®. The trial result shows that the efficacy of 5% Minoxidil Foam is equivalent to that of ROGAINE® and there is similarity between the two in terms of safety and tolerability. Androgenetic alopecia is the most common balding condition.

Arbitration of Sunshine Guojian

In July 2021, Aohai Biotechnology (Shanghai) Co., Ltd. ("**Aohai**") filed an arbitration application with Shanghai International Economic and Trade Arbitration Commission for a dispute with regards to its collaboration with Sunshine Guojian and the application has been accepted. Aohai requests to terminate its cooperation agreement with Sunshine Guojian signed in December 2015 and to pay it total compensation in the amount of RMB131.4 million. At the date of approval of the unaudited interim condensed consolidated financial information, the arbitration is still in progress.

The Directors have made an overall analysis including obtaining a legal opinion from outside legal counsel, according to which, the possibility of payable compensation is remote. There was no significant impact to the unaudited interim condensed consolidated financial information as at 30 June 2022.

TPIAO Phase III Clinical Study in Pediatric ITP Indication Achieved Endpoint

As announced on 10 May 2022, a multicenter, randomized, double-blind, placebo-controlled study on the safety, efficacy, and pharmacokinetics of rhTPO injection in children or adolescents with chronic primary immune thrombocytopenia ("**ITP**") achieved the pre-defined primary endpoint. The Company plans to submit the New Drug Application ("**NDA**") to the NMPA in the near future.

Adoption of the Second Amended and Restated Memorandum and Articles of Association

The Stock Exchange announced various amendments to the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**") to implement the proposals under the "Consultation Conclusion Paper on Listing Regime for Overseas Issuers" published on 19 November 2021. The amendments to the Listing Rules have already taken effect from 1 January 2022 and include the introduction of the Core Shareholder Protection Standards that will apply to all listed issuers to provide the same level of protection to all investors.

The Board proposed to make certain amendments to the Memorandum and Articles of Association of the Company to reflect the Core Shareholder Protection Standards introduced by the Stock Exchange, to provide flexibility to the Company in relation to the conduct of general meetings and to incorporate certain housekeeping changes. Pursuant to the foregoing, the Board proposed that the Company adopt the Second Amended and Restated Memorandum and Articles of Association of the Company embodying the proposed amendments in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association of the Company.

At the annual general meeting of the Company held on 22 June 2022, the shareholders of the Company approved the adoption of the Second Amended and Restated Memorandum and Articles of Association by passing of a special resolution.

Cipterbin® (Inetetamab) Out-licensed to Kelingyuan

In June 2022, Sunshine Guojian signed a licensing cooperation agreement with Chengdu Kelingyuan Pharmaceutical Technology Co., Ltd. (成都科嶺源醫藥技術有限公司) ("**Kelingyuan**"), to grant the world-wide development and commercialization rights of Cipterbin antibody sequence for antibody-drug conjugate (ADC) to Kelingyuan (the "**ADC Program**"). According to the agreement, Sunshine Guojian received an upfront payment, and may receive R&D milestone payments and sales milestone payments, as well as sales-based royalty from Kelingyuan after the future product launch, while Sunshine Guojian retains all the rights in Cipterbin beyond the ADC Program.

For certain other key event, please refer to the subsection headed "PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES — CS Sunshine Transactions" in this announcement.

Key Events after the Reporting Period

Acquired from Cosmo the Exclusive Right to Develop and Commercialize Acne Drug in Greater China and a Right Of First Refusal (ROFR) for Hair Drug

In July 2022, 3SBio and Cosmo Pharmaceuticals N.V. ("**Cosmo**") signed a license agreement. 3SBio will receive from Cassiopea, a subsidiary of Cosmo, the exclusive right to develop and commercialize Winlevi®, the world's first marketed topical androgen receptor inhibitor to treat acne, in Greater China. 3SBio will pay Cosmo an upfront payment, potential development and sales milestone payments and royalties on annual net sales. The agreement also includes a right of first refusal for an exclusive license for Breezula®, a phase III ready product to treat alopecia, in Greater China.

Key Products

TPIAO

TPIAO is the Group's self-developed proprietary product, and has been the only commercialized rhTPO product in the world since its launch in 2006. TPIAO has been approved by the NMPA for two indications: the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and ITP. TPIAO has the advantages of higher efficacy, faster platelet recovery and fewer side effects as compared to alternative treatments for CIT and ITP.

TPIAO has been listed on the National Reimbursement Drug List ("**NRDL**") as a Class B Drug for the treatment of severe CIT in patients with solid tumors or ITP since 2017. In the "Guidelines of CSCO — Cancer Therapy Induced Thrombocytopenia (2022)"[2], rhTPO is listed as a treatment choice with the highest level recommendation, the Grade I recommendation. In addition to CIT, cancer therapy induced thrombocytopenia also includes thrombocytopenia resulted from radiotherapy, targeted therapy or immunotherapy. According to the "Chinese Guideline on the Diagnosis and Management of Adult Primary Immune Thrombocytopenia (2020 version)"[3], rhTPO is one of the primary treatments for ITP emergency cases and is the first choice recommendation in the second line treatments list for both ITP and ITP in pregnancy. According to the "Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in China"[4], rhTPO is the first choice recommendation for boosting platelet production. According to the "Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in Adult Critical Illness in China"[5], TPO can be used to treat myelosuppressive thrombocytopenia. According to the "Experts Consensus for Emergency Management of Adult Thrombocytopenia in China"[6], rhTPO is one of the treatments for emergency management of thrombocytopenia. In the "Chinese Guidelines for Treatment of Adult Primary Immune Thrombocytopenia"[7], rhTPO was included as the first choice recommendation for the second line treatments list. rhTPO has also received similar professional endorsements in several national guidelines and experts consensus on treating certain other diseases in Mainland China.

On 28 December 2020, TPIAO was approved for listing on the 2021 NRDL through negotiation. Future growth of TPIAO may be driven by: 1) the enhanced market position as for inpatients attributable to its safety and efficacy, and its continually supplanting traditional interleukin ("**IL**") platelet-raising drugs in clinical use; 2) the continued increase in the number of hospitals covered; and 3) the expansion of indications. The Group estimates that the penetration rates for CIT and ITP indications in Mainland China are in the range of approximately 28% to 40%. In the first half of 2022, its market share for the treatment of thrombocytopenia in Mainland China was 27.0% in terms of sales volume and 66.0% in terms of sales value. As announced on 10 May 2022, the phase III clinical trial of TPIAO in the pediatric ITP indication achieved the pre-defined primary endpoint, and the Group is preparing the supplemental NDA. A phase Ib/II clinical trial for TPIAO in patients with chronic hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group plans to submit an application for Phase III clinical trial in the near future. Outside of Mainland China, TPIAO has been approved in nine countries, including the Philippines and Thailand. Currently, TPIAO is in the process of registration in several countries in Asia, Africa and South America.

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2 Issued by the Chinese Society of Clinical Oncology ("**CSCO**")

3 Issued by the Thrombosis and Hemostasis Group of the Chinese Society of Hematology of the Chinese Medical Association (the "**CMA**")

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

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

6 Published in Chin J Emerg Med, February 2022, Vol. 31, No.2

7 Published in the International Journal of Hematology in April 2018

EPIAO

EPIAO is approved by the NMPA for the following three indications: the treatment of anemia associated with chronic kidney disease ("**CKD**"), the treatment of chemotherapy-induced anemia ("**CIA**"), and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has been listed on the NRDL as a Class B Drug for renal anemia since 2000, and, additionally, for CIA in patients with non-hematological malignancies since 2019. EPIAO has also been listed on the 2018 National Essential Drug List. EPIAO has consistently been the premier market leader in the Mainland China rhEPO market since 2002 in terms of both sales volume and sales value. EPIAO and SEPO together claim a majority market share of the Mainland China rhEPO market at 10,000 IU dosage. The Group believes that, 1) the continuous expansion of the dialysis market; 2) the improvement of anemia treatment standards; 3) the improvement of the diagnosis and treatment rate of cancer anemia; and 4) the proactive going-deep strategy in the lower-tier market, will continue to drive the further growth of its erythropoietin products. In Mainland China, for NuPIAO (SSS06), a second-generation long-acting rhEPO to treat anemia, the First Patient-In ("**FPI**") of a phase III trial has been completed in March 2022; and, for RD-01, a pegylated long-acting rhEPO, the Group plans to submit an application for phase III clinical trial in the second half of 2022. Outside of Mainland China, EPIAO has been approved in 23 countries, including Brazil, Thailand and Pakistan. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand were completed in 2021. EPIAO is in the process of registration in several countries.

Yisaipu

Yisaipu (Recombinant Human TNF- α Receptor II: IgG Fc Fusion Protein for Injection), is a TNF α inhibitor product. It was first launched in 2005 in Mainland China for rheumatoid arthritis ("**RA**"). Its indications were expanded to ankylosing spondylitis ("**AS**") and psoriasis in 2007. The Group actively participated in the development of the "2018 China Rheumatoid Arthritis Treatment Guidance" (the "**2018 China RA Guidance**"), an authoritative document issued by the CMA. In this Guidance, Yisaipu was adopted under 'TNF α inhibitors' as one of the RA treatment options, and TNF α inhibitors was deemed as a group of biological agents with relatively sufficient evidence and relatively wide adoption in treating RA. According to "The Standardized Diagnosis and Treatment of Rheumatoid Arthritis"[8], TNF α inhibitors is one of the treatments for RA. Yisaipu has been listed on the NRDL as a Class B Drug since 2017 for RA and for AS, each subject to certain medical prerequisites, and additionally, since 2019 for the treatment of adult patients with severe plaque psoriasis. Yisaipu is the first-to-market TNF α inhibitor product in Mainland China that filled a gap among domestic peers in regard to the fully-human therapeutic antibody-drugs. With the increasing number of competitors and price adjustment of the Group's own accord, the market share of Yisaipu decreased, at 28.2% in the Mainland China TNF α market in the first half of 2022. The NDA for the pre-filled aqueous injection solution of Yisaipu (Group R&D code: 301S) was re-submitted to the NMPA in July 2021. The application was accepted for review by the NMPA. Outside of Mainland China, Yisaipu has been approved in 15 countries, including Colombia, Indonesia, the Philippines and Pakistan.

[8] Issued by Chinese Rheumatology Association of the CMA, in Chin J Intern Med, January 2022, Vol. 61, No. 1

Cipterbin

Cipterbin (Inetetamab) is the first innovative anti-HER2 mAb in Mainland China with the engineered Fc region and optimized production process. It was approved by the NMPA in June 2020 for treatment of HER2-positive metastatic breast cancer in combination with chemotherapy, as it was proven to be capable of delaying the disease progression for, and bringing survival benefits to, HER2-positive metastatic breast cancer patients. Sunshine Guojian independently developed this product based on its proprietary technology platform. Cipterbin is listed on the 2020 NRDL. According to the "Guidelines of CSCO — Breast Cancer (2022 edition)", Inetetamab (Cipterbin) is listed as a treatment choice with the highest level recommendation, the Grade I recommendation, for patients with HER2-positive advanced breast cancer. Under the revised recommendation, the number of Inetetamab-applicable patients increase significantly. According to the "Chinese Advanced Breast Cancer Consensus Guideline 2020 (CABC3)"[9], Inetetamab (Cipterbin) is one of the preferred treatments of advanced breast cancer. Inetetamab is adopted in the "Guidelines for the Clinical Application of New Anti-tumor Drugs (2021 edition)" issued by the PRC National Health Commission, "Experts Consensus for Diagnosis and Treatment of human epidermal growth factor receptor 2 positive breast cancer (2021 edition)"[10], and "China Anti-Cancer Association Guidelines and Standards for Diagnosis and Treatment of Breast Cancer (2021 edition)"[11].

Mandi

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

[9] Issued by the China Medical Women's Association

[10] Published in the National Medical Journal of China

[11] Issued by the China Anti-Cancer Association Breast Cancer Subcommittee, in CHINA ONCOLOGY 2021 Vol. 31 No. 10

According to the CPA's data, Mandi has a market share of 71.9% in Mainland China in the first half of 2022, with a year-on-year growth of 42.0% in sales value. The sales coverage of Mandi currently extends to more than 2,000 medical institutions in Mainland China, and strategic cooperation with Yonghe Hair Transplant, a hair transplant chain, is established. Meanwhile, the sales channels of Mandi also cover nearly 90,000 retail pharmacies, as well as Internet sales platforms, such as Tmall and JD.com, etc.. The Group will continue to drive the future growth of Mandi through the following channels: 1) coverage expansion in medical institutions. The medical institutions have seen Mandi's safety and effectiveness tested for more than ten years, with more than one million patients treated. The continuous building of hospital channels will enhance the professional status of Mandi brand, and will also help to convert high loyalty customers for retail and e-commerce channels. For the first half of 2022, the revenue of Mandi from medical institutions accounted for approximately 16% of Mandi total revenue, and it recorded year-on-year growth of approximately 7%. Such result was related to the comebacks of COVID-19 interrupting the regular operations of outpatient services at medical institutions in the first half of 2022; 2) coverage expansion in retail pharmacies. As Mandi currently has low coverage in retail pharmacies, there is potential for improvement. For the first half of 2022, the revenue of Mandi from retail pharmacies accounted for approximately 31% of Mandi total revenue, and it recorded year-on-year growth of approximately 80%. It is expected that the coverage of retail pharmacies will be expanded through marketing activities; 3) online brand operation. Mandi has been launched in online stores such as AliHealth Pharmacy, JD Pharmacy and brand flagship stores. The digital marketing system accurately reaches and converts potential customers, and the refined operation in and outside websites will continuously boost consumption on e-commerce platforms. For the first half of 2022, the revenue of Mandi from e-commerce accounted for approximately 53% of Mandi total revenue, and it recorded year-on-year growth of approximately 39%; 4) potential launch of new product formulation. The phase III study of the foam form of Mandi, comparing head-to-head in male hair loss patients to Rogaine®, the leading minoxidil drug in the U.S., has been successfully completed, showing Mandi foam being of equivalent efficacy and similar safety and tolerability. The application for market launch of Mandi foam was accepted by the NMPA, as announced on 11 January 2022. If approved, Mandi will likely be the only minoxidil foam in the Mainland China market, which will significantly improve its market competitiveness.

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

*Remitch (*product candidate)*

In December 2021, the NDA of nalfuraphine hydrochloride orally disintegrating tablets (Group R&D code: TRK-820, marketed in Japan as "Remitch" since 2009) in collaboration with Toray Industries Inc. ("**Toray**") was accepted for review by the NMPA. The Group is actively preparing for the product launch. In December 2017, Toray granted to the Group the exclusive right to develop and commercialize TRK-820 in Mainland China.

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

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

CDMO Business

The Group's CDMO business currently consists of Desen Biologics, Shanghai Shengguo Pharmaceutical Development Co., Ltd. ("**Shengguo Pharma**"), Guangdong Sunshine Pharmaceutical Co., Ltd. and Sirton (in Italy), all being the Group's subsidiaries. Among them, Desen Biologics has a total planned area of 500 Chinese mu, designed as a biopharmaceutical CDMO base, a manufacturing base of biopharmaceutical raw and auxiliary materials and consumables, and a biopharmaceutical core process equipment base that are domestically-leading, oriented to the international market and are compliant with relevant Chinese, EU and U.S. Good Manufacturing Practice ("**GMP**") regulations. The first phase of Desen Biologics covers an area of over 110 Chinese mu, and plans to build a production line with 199,000 liters of Drug Substance ("**DS**") and a cumulative capacity of 100 million doses/year for Drug Product ("**DP**"). It is expected that the 76,000-liter DS and DP manufacturing capacity for the phase I of the project will be available in 2022.

The Group provides contract development and manufacturing services of biologics expressed by microbial and mammalian cells, including mAb, bispecific antibody, neutralization antibody, as well as vaccine. The Group's technology platforms provide services for cell and gene therapy products, including plasmid, mRNA nucleic acid drugs and virus vector. The full-process requirements of biologics are covered from DNA sequence, cell bank and Chemistry Manufacturing and Control (CMC) to DS/DP production for clinical trials, registration supports and commercial production. The production lines are equipped with reactors of various scales, with single-unit specifications of stainless steel systems and single-use bioreactors ranging from 10L to 10KL, which can meet different requirement scenarios from small batch sample testing at the R&D stage to mass commercial production. The total capacity of the production lines exceeds 200 million doses of formulation, covering the main forms of biologics such as liquid vials, freeze-dry powder injections and pre-filled injections. The Group's CDMO lines have received GMP certifications in Mainland China, Colombia, certain Pharmaceutical Inspection Co-operation Scheme (PIC/S) members, the EU (in regard to Sirton) and other countries; and have successfully passed all regulatory reviews, including multiple unannounced inspections, as well as quality audits by domestic and international customers.

The Group believes that it possesses various competitive advantages in the CDMO business, including the technological advantages associated with engaging in the whole process spanning from R&D to production of biopharmaceutical products over the years; the scalable cost advantages of a single 10,000-litre bioreactor for commercial production; the production cost advantages brought by the capability to manufacture raw materials such as culture medium and chromatographic filler; and the quality control management advantage with high level of automation. In the first half of 2022, the Group's CDMO business completed orders of approximately RMB55.3 million, with signed orders valuing over RMB100 million, over 20 projects in execution and projects achievement rate at 100%. The Group's customers include leading domestic and international pharmaceutical companies and biotechnology companies, with services encompassing various steps from pre-clinical stage to commercialization for drugs.

Research and Development

The Group's integrated R&D platform covers a broad range of technical expertise in the discovery and development of innovative bio-pharmaceutical and small molecule products, including antibody discovery, molecular cloning, antibody/protein engineering, gene expression, cell line construction, manufacturing process development, pilot and large scale manufacturing, quality control and assurance, design and management of pre-clinical and clinical trials, and regulatory filing and registration. The Group is experienced in the R&D of mammalian cell-expressed, bacterial cell-expressed and chemically-synthesized pharmaceuticals.

The Group focuses its R&D efforts on researching and developing innovative biological products as well as in small molecule therapeutics. Currently, the Group has several leading biological products in various stages of clinical development, including 304R (an anti-CD20 antibody to treat non-Hodgkin's lymphoma and other autoimmune diseases), 301S (the pre-filled aqueous injection solution of Yisaipu), SSS06 (NuPIAO, a second-generation rhEPO to treat anemia), RD-01 (a pegylated long-acting rhEPO to treat anemia), SSS07 (an anti-TNF α antibody to treat RA and other inflammatory diseases), pegsiticase (a modified pegylated recombinant uricase from candida utilis to treat refractory gout), 601A (an anti-vascular endothelial growth factor ("**VEGF**") antibody to treat age-related macular degeneration ("**AMD**") and other ophthalmological diseases), 602 (an anti-epidermal growth factor receptor ("**EGFR**") antibody to treat cancer), 608 (an anti-IL-17A antibody to treat autoimmune and other inflammatory diseases), 609A (an anti-PD1 antibody to treat cancer), 610 (an anti-IL-5 antibody to treat severe asthma), and 611 (an anti-IL4R antibody to treat atopic dermatitis). On the small molecule side, the Group is conducting clinical trials of two innovative products: nalfurafine hydrochloride (TRK-820, a highly selective kappa receptor agonist) to treat pruritus in hemodialysis patients, and HIF-117 capsule (SSS17, a selective small molecule inhibitor to hypoxia inducible factor ("**HIF**") proline hydroxylase) to treat anemia. In addition, the Group is performing bio-equivalency studies of a number of generic small molecule products in the field of nephrology, autoimmune and dermatological diseases.

On the research front, the Group is developing a panel of novel biological products, including mAbs, bi-specific antibodies and fusion proteins, and a number of small molecule drugs, both innovative and generic, in the areas of oncology, auto-immune and inflammatory diseases, nephrology, ophthalmology and dermatological diseases.

The Group's R&D team, consisting of nearly 600 experienced scientists, is working diligently to research and discover new medicines, to accelerate the progress of clinical development, and to bring breakthrough therapies to fulfill the unmet medical needs of patients.

Product Pipeline

As at 30 June 2022, amongst the 33 product candidates within the Group's active pipeline, 26 were being developed as innovative drugs in Mainland China. Out of these 33 product candidates, 18 are antibodies, seven are other biologic products, and eight are small molecule entities. The Group has 11 product candidates in oncology; 13 product candidates that target auto-immune diseases including RA, and other diseases including refractory gout and ophthalmological diseases such as AMD; nine product candidates in nephrology; and one product candidate in dermatology.

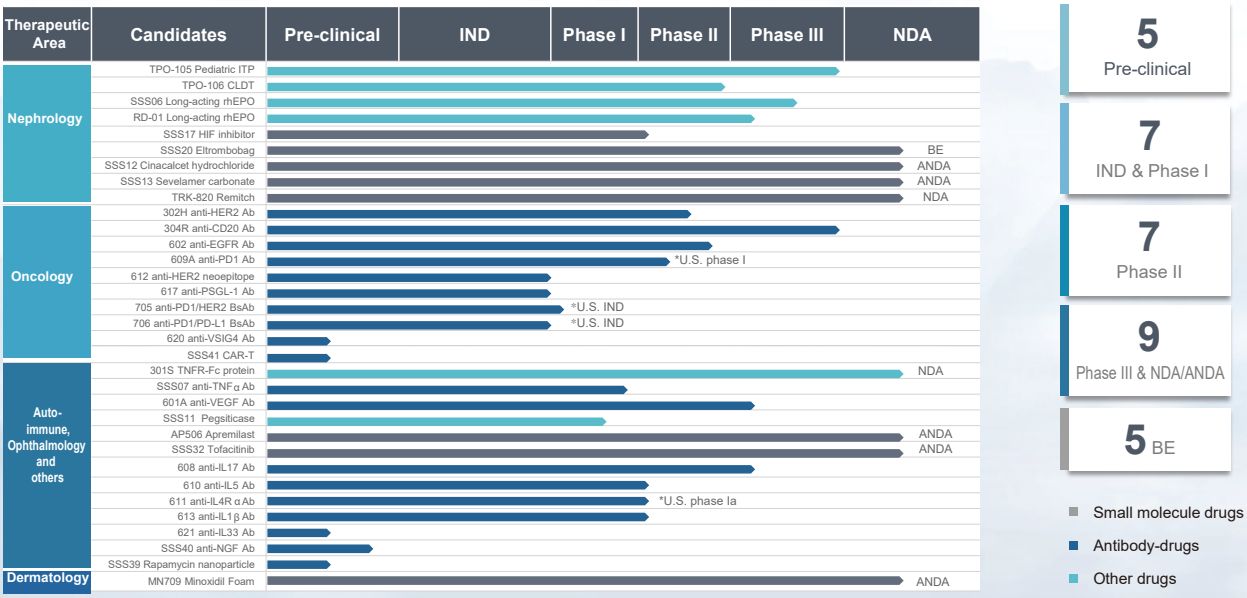
Notes:

(1) Each arrow bar in the R&D Pipeline chart below indicates the progress in Mainland China. Remarks starting with "*" note the progress in the U.S.

(2) BE: Bio-equivalence assessment

(3) IND: means investigational new drug

R&D Pipeline



Key Product Developments

— New Drug Application submission and phase III development

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

Minoxidil foam formulation (MN709): The Group has completed a multi-centered, randomized, and double-blinded phase III study comparing head-to-head of MN709 to Rogaine® in male patients with hair loss. The study result shows that the efficacy of MN709 is equivalent to that of ROGAINE® and there is similarity between the two in terms of safety and tolerability. As announced on 11 January 2022, an NDA to the NMPA was accepted for review.

Narfuraphine hydrochloride (TRK820): As announced on 21 July 2021, the randomized, double-blind, placebo-controlled multi-centered bridging clinical study on narfuraphine hydrochloride orally disintegrating tablets for treatment of maintenance hemodialysis patients with refractory pruritus has reached the pre-set clinical study endpoint. The result indicates that the main efficacy indicators of the 5μg group and the 2.5μg group of this study have all been bridged successfully and these outcomes are consistent with the results of Japan's phase III trial. The NDA has been submitted to the NMPA and was accepted for review in December 2021.

TPIAO (TPO): As announced on 10 May 2022, a multicenter, randomized, double-blind, placebo-controlled study on the safety, efficacy, and pharmacokinetics of rhTPO injection in children or adolescents with chronic primary ITP achieved the pre-defined primary endpoint. The Company plans to submit the NDA to the NMPA in the near future. A phase Ib/II clinical trial for TPIAO in patients with chronic hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group plans to submit an application to the NMPA in the second half of 2022 for conducting phase III trial.

Pegsiticase (SSS11): In the U.S., the Group's business partner, Selecta Biosciences, Inc. (NASDAQ: SELB) ("**Selecta**"), has commenced the phase III clinical program of the combination therapy SEL-212 for treatment of chronic refractory gout. In 2014, Selecta was authorized by the Company to use pegsiticase, also known as pegadricase, (a recombinant enzyme that metabolizes uric acid) in the development of SEL-212. SEL-212 consists of pegsiticase and Selecta's proprietary ImmTOR® immune tolerance platform, which can durably control serum uric acid, reduce immunogenicity, and allow for repeated monthly dosing. The Group is currently initiating a phase Ib clinical trial for SSS11 in patients with high uric acid level and medical history of gout symptoms in Mainland China.

Anti-CD20 mAb (304R): The Group has completed the internal auditing of the participating clinical trial sites and data in the previously completed phase III trial and is finalizing the clinical study reports. The Group has completed a phase I head-to-head trial comparing 304R (Jiantuoxi) with rituximab (Rituxan®) in non-Hodgkin's lymphoma patients with zero tumour burden, with major endpoints of safety and pharmacokinetics.

Anti-VEGF mAb (601A): The Group has completed the phase II trials of 601A for AMD and diabetic macular edema (DME). The phase III trial on BRVO has been approved by the NMPA, with the FPI planned in the second half of 2022.

NuPIAO (EPO, SSS06): The Group has completed a phase II clinical trial, and completed the data readout in December 2021. The Group has kicked off a phase III trial of the product in November 2021 with the approval from the NMPA. The FPI has been completed in March 2022, and total patients enrollment is expected to complete by the end of 2022.

— Phase II development

Peg-EPO (RD-01): The Group has completed a dose-escalating phase I safety and pharmacokinetics study of RD-01 in healthy volunteers. Patient enrollment in a randomized phase II clinical trial was completed by the end of December 2021 and now in stage of follow-up. The Group plans to submit an application for phase III clinical trial in the second half of 2022 and aims to obtain approval in the fourth quarter of 2022.

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

Anti-IL17A mAb (608): The phase II trial of 608 in patients with plaque psoriasis has met the primary end-point. The phase III trial is expected to initiate before 2022 year end. The application of phase II/III trial for 608 in Axial Spondyloarthritis (SpA) indication has been accepted in June 2022.

Anti-IL1 β mAb (613): The Group received an IND approval from the NMPA for 613 in acute gout (AG) indication in March 2022, and the FPI of phase Ib/II trial has been completed.

— Phase I development and new IND applications

Anti-IL5 mAb (610): The asthma patients enrollment of phase Ib trial of 610 has been completed, and the enrollment of phase II trial is expected to start in the second half of 2022.

Anti-IL4R α mAb (611): A dose-escalating phase Ia clinical trial in healthy volunteers has been completed in the U.S. The phase II study in patients with atopic dermatitis in Mainland China is expected to start patient enrollment in the second half of 2022. The IND application for 611 in chronic rhinosinusitis (CRS) has been accepted by NMPA in June 2022.

Anti-PSGL-1 mAb (617): The Group has been approved by the NMPA for conducting phase I clinical trial for advanced solid tumors. 617 is the first antagonistic antibody targeting PSGL-1 in Mainland China. It is developed by the Group in collaboration with Verseau Therapeutic Inc..

HIF-117 (SSS17): Phase I clinical trial of SSS17 to treat anemia patients has been completed. The preliminary results have shown good safety and efficacy. SSS17 is a selective small molecule inhibitor to HIF proline hydroxylase, a molecule which can improve the stability and half-life of HIF α, so as to motivate the secretion of erythropoietin. It is expected that SSS17 will create synergies with the Group's rhEPO injections and provide CKD patients with alternative treatment options, particularly for pre-dialysis patients, a large and under-treated patient population in Mainland China.

Sales, Marketing and Distribution

The Group's sales and marketing efforts are characterized by a strong emphasis on academic promotion. The Group aims to promote and strengthen the Group's academic recognition and the brand awareness of its products among medical experts. The Group markets and promotes its key products mainly through its in-house team. The Group sells these products to distributors who are responsible for delivering products to hospitals and other medical institutions. Mandi is sold through retail pharmacies and online stores.

As at 30 June 2022, the Group's extensive sales and distribution network in Mainland China was supported by approximately 2,611 sales and marketing employees, 1,020 distributors and 1,805 third-party promoters. In the first half of 2022, the Group's products were sold in over 2,500 Grade III hospitals and over 5,000 Grade II or lower hospitals and medical institutions across all provinces, autonomous regions and special municipalities in Mainland China. In addition, TPIAO, Yisaipu, EPIAO, SEPO and some of the Group's other products are exported to a number of countries through international promoters.

Outlook

In the first half of 2022, with the recurrence of the COVID-19 pandemic in Mainland China, various regions have adopted pandemic prevention and control and quarantine policies, which have in turn affected the normal business operations of medical institutions and pharmacies to some extent. In the field of biopharmaceuticals, R&D, production and sales are restricted. In face of the pandemic, the Group has timely taken safeguards. Health checks for employees at each facility were conducted and life necessities were supplied. Shenyang and Shanghai facilities arranged scientific research and production staff to station on site during the lock-down, which amounted to as high as over 400 employees at one time. These actions were taken to shield the Group's own R&D and production to the extent possible, as well as to ensure the progress and delivery of CDMO orders. The impact of the pandemic on the Group's operations was mitigated. Nevertheless, part of the Group's business was still affected.

Currently, although the effects of the COVID-19 pandemic control were significantly alleviated in Mainland China, the development of the COVID-19 remains unpredictable with regional, intermittent outbreaks from time to time. As the domestic and foreign markets have not yet fully recovered, business operations still face uncertainties, risks and challenges. In the second half of the year, the Group will continue to be prudent and cautious in management, making full preparations for uninterrupted production and operations under special conditions, so as to ensure the normal production, transportation and sales for the products within the Group, and to provide on-time and high-quality delivery for CDMO customer orders. Other than the disturbance caused by the pandemic, the winning bid prices of some of the Group's products, namely, recombinant human tumor necrosis factor-II receptor IgG Fc fusion protein (Yisaipu), recombinant human erythropoietin (EPIAO and SEPO) and low molecular-weight heparin calcium (Sparin), have also dropped as they have been included in the volume-based procurement for the Ten-Province Alliance led by Guangdong (廣東十省聯盟). Should the lower prices be implemented in the second half of the year, there could be a risk that the revenues from such products would decrease in the existing market of the Ten-Province Alliance.

Despite those challenges, looking forward to the second half of 2022, we believe that continued encouragement of innovation will remain the main theme of the pharmaceutical industry. Firstly, from the perspective of the payment side capacity, the balance rate of national medical insurance has reached a record high in the first half of the year, with the balance at approximately RMB 431 billion and a balance rate of approximately 34%, indicating that the medical insurance balance is ample, well-sufficient for payment. Secondly, from the perspective of medical insurance policy on innovative drugs, in October 2021, the Notice on Continuing to Implement Negotiated Medicines in Response to the Normalized National Medical Insurance Negotiations (《關於適應國家醫保談判常態化持續做好談判藥品落地工作的通知》) issued by the Healthcare Security Administration stated that, the medicines in negotiation can be excluded from calculating medical insurance cap for medical institutions as well as medicines-to-total hospital revenues percentage, and the DRG/DIP payment weight of drugs can be adjusted in time, thereby reducing the pressure of national negotiation medicines entering the hospitals; in June 2022, the Healthcare Security Administration issued the contract renewal rules for the first time, including the newly added provisions relating to simplified contract renewal, pursuant to which any products that meet relevant requirements shall be exempted from new rounds of negotiation and bidding. Such new rule gives clarity, contributing to more rational pricing. On 13 July 2022, the Beijing Municipal Medical Security Bureau (北京市醫療保障局) issued the Notice on the Management Measures for the Exclusion of CHS-DRG Payments for New Drugs and New Technologies (Trial) (《CHS-DRG付費新藥新技術除外支付管理辦法的通知（試行）》), which allows the application of new drugs, devices and new treatment technologies for exemption from DRG payment with a three-year moratorium. This

relieves the price pressure on new drugs under the DRG classification. In addition, on 26 July 2022, Shenzhen Development and Reform Commission issued three major measures, including Several Measures for Shenzhen to Promote the High-Quality Development of Biomedical Industry Clusters (《深圳市促進生物醫藥產業集群高質量發展的若干措施》), which provide financial and policy support for R&D-type biopharmaceutical enterprises. This demonstrates the government's desire to boost innovative R&D in the pharmaceutical industry, thus guiding the industry to generate sustainable investment returns, and promoting the long-term healthy development of the pharmaceutical industry.

From the perspective of its own business, in the second half of the year, the Group will accelerate the progress of various business lines and strive to achieve sustained growth in its results and sustained returns to shareholders. For marketed drugs including TPIAO, EPIAO, SEPO and Yisaipu, the Group will further the going-deep strategy in the lower-tier market and continue to pursue a wider patient coverage while actively responding to the adjustment of national medical insurance prices; and, in a prospective strategic move, the Group is building large-scale production capacity to supply to the market in greater quantities and at better quality and lower price. In hair health field, we still hold strong confidence in the market potential of domestic skin and hair drugs. The Group will continue to strengthen brand influence of Mandi through multi-channel promotion, and actively pursue new product R&D and acquisitions in the hair and skin field, aiming to enrich the treatment options for patients.

In biopharmaceutical CDMO field, Shengguo business, starting from its official launch and independent operation, has always put the rights and interests of customers as its priority. In the first half of the year, it achieved 100% guaranteed projects delivery under a pandemic lock-down environment, building a well-earned industry good name. In the future, leveraging deep biopharmaceutical R&D experience and production capacity advantage, the Group will continue to empower many domestic biotechnology companies and expedite the launch of high-quality new domestic drugs. With a highly localized supply chain, the Group reduces the stranglehold risk imposed by overseas suppliers on the R&D of domestic customers, thereby maximizing the value of the Group's businesses and fostering new business growth points.

Regarding the R&D progress, the Group will further focus its resources on four core therapeutic areas, which are auto-immune diseases, oncology, nephrology and dermatology. Among them, the autoimmune diseases segment includes anti-IL-4Rα antibody, anti-IL-5 antibody, anti-IL1β antibody and anti-IL-17A antibody that rank in the first R&D echelon in Mainland China. The Group will continue to focus on building up its in-house clinical development capacity, expedite the clinical progress, and improve its comprehensive R&D capability. The Group has always pursued external collaboration on the themes of "global innovation"and "fields synergy", assigning equal emphasis on both "bringing in"and "going out". On one hand, the Group will proactively cooperate with external partners to promote the R&D of pipeline drugs. On the other hand, the Group, emdowed with ample funds, will continue a search for synergistic products globally in the fields of the Group's strength, such as nephrology and hair, so as to produce new business.

Financial Review

Revenue

For the six months ended 30 June 2022, the Group's revenue amounted to approximately RMB3,091.4 million, as compared to approximately RMB3,107.1 million for the six months ended 30 June 2021, representing a slight decrease of approximately RMB15.7 million, or approximately 0.5%.

For the six months ended 30 June 2022, the Group's sales of TPIAO increased to approximately RMB1,575.4 million, as compared to approximately RMB1,521.4 million for the six months ended 30 June 2021, representing an increase of approximately RMB54.0 million, or approximately 3.5%. The increase was primarily attributable to an increase in sales volume. Sales of TPIAO was not severely affected by the COVID-19 pandemic mainly due to the inelastic nature of the medical need of its target patients. For the six months ended 30 June 2022, sales of TPIAO accounted for approximately 51.0% of the Group's total revenue.

For the six months ended 30 June 2022, the Group's sales of EPIAO and SEPO decreased to approximately RMB533.1 million, as compared to approximately RMB543.4 million for the six months ended 30 June 2021, representing a decrease of approximately RMB10.3 million, or approximately 1.9%. The decrease was mainly due to a decrease in the ex-factory price. For the six months ended 30 June 2022, the Group's sales of EPIAO increased to approximately RMB406.8 million, as compared to approximately RMB404.5 million for the six months ended 30 June 2021, representing an increase of approximately RMB2.3 million, or approximately 0.6%. For the six months ended 30 June 2022, the Group's sales of SEPO decreased to approximately RMB126.3 million, as compared to approximately RMB138.9 million for the six months ended 30 June 2021, representing a decrease of approximately RMB12.6 million, or approximately 9.1%. For the six months ended 30 June 2022, the combined sales of EPIAO and SEPO accounted for a total of approximately 17.2% of the Group's total revenue.

For the six months ended 30 June 2022, the Group's sales of Yisaipu decreased to approximately RMB233.9 million, as compared to approximately RMB428.9 million for the six months ended 30 June 2021, representing a decrease of approximately RMB195.0 million, or approximately 45.5%. The decrease was mainly attributable to lower sales volume which was severely affected by the COVID-19 pandemic and intensified competition. For the six months ended 30 June 2022, the sales of Yisaipu accounted for approximately 7.6% of the Group's total revenue.

For the six months ended 30 June 2022, the Group's sales from alopecia area increased to approximately RMB374.3 million, as compared to approximately RMB266.2 million for the six months ended 30 June 2021, representing an increase of approximately RMB108.1 million, or approximately 40.6%. The increase was mainly attributable to the increased market demand for hair loss and growth treatments, which was driven by the Group's diversified and effective promotional efforts. For the six months ended 30 June 2022, the Group's sales of Mandi increased to approximately RMB366.2 million, as compared to approximately RMB258.0 million for the six months ended 30 June 2021, representing an increase of approximately RMB108.2 million, or approximately 42.0%. For the six months ended 30 June 2022, the sales from alopecia area accounted for a total of approximately 12.1% of the Group's revenue.

For the six months ended 30 June 2022, the Group's revenue from CDMO business increased to approximately RMB55.3 million, as compared to approximately RMB40.1 million for the six months ended 30 June 2021, representing an increase of approximately RMB15.2 million, or approximately 37.9%. The increase was mainly attributable to the increased CDMO orders from customers.

For the six months ended 30 June 2022, the Group's other sales, primarily consisted of sales from license-in products, export sales and other products, decreased to approximately RMB319.4 million, as compared to approximately RMB307.1 million for the six months ended 30 June 2021, representing an increase of approximately RMB12.3 million, or approximately 4.0%.

Cost of Sales

The Group's cost of sales increased from approximately RMB520.0 million for the six months ended 30 June 2021 to approximately RMB526.4 million for the six months ended 30 June 2022, which accounted for approximately 17.0% of the Group's total revenue for the same period. The primary reason for the increase in the Group's cost of sales was mainly attributable to the increased sales volume for the six months ended 30 June 2022, as compared to the corresponding period in 2021.

Gross Profit

For the six months ended 30 June 2022, the Group's gross profit decreased to approximately RMB2,565.0 million, as compared to approximately RMB2,587.1 million for the six months ended 30 June 2021, representing a slight decrease of approximately RMB22.1 million, or approximately 0.9%. The decrease in the Group's gross profit was broadly in line with its revenue decrease during the period. The Group's gross profit margin decreased to approximately 83.0% for the six months ended 30 June 2022 from approximately 83.3% for the corresponding period in 2021.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income, foreign exchange gain, fair value gain on deemed disposal of investment in associates and other miscellaneous income. For the six months ended 30 June 2022, the Group's other income and gains increased to approximately RMB349.2 million, as compared to approximately RMB159.2 million for the six months ended 30 June 2021, representing an increase of approximately RMB190.0 million, or approximately 119.3%. The increase was mainly attributable to the increase in foreign exchange gain in the six months ended 30 June 2022.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff costs, transportation expenses and other miscellaneous selling and distribution expenses. For the six months ended 30 June 2022, the Group's selling and distribution expenses amounted to approximately RMB1,150.0 million, as compared to approximately RMB1,152.0 million for the six months ended 30 June 2021, representing a slight decrease of approximately RMB2.0 million, or approximately 0.2%. In terms of the percentage of revenue, the Group's selling and distribution expenses increased from approximately 37.1% for the six months ended 30 June

2021 to approximately 37.2% for the six months ended 30 June 2022. Such increase was mainly due to the increased marketing expenses for new products' promotion.

Administrative Expenses

The Group's administrative expenses consisted of staff costs, professional fees, depreciation and amortization, property expenses, share-based compensation, and other miscellaneous administrative expenses. For the six months ended 30 June 2022, the Group's administrative expenses amounted to approximately RMB195.1 million, as compared to approximately RMB167.4 million for the six months ended 30 June 2021, representing an increase of approximately RMB27.7 million, or approximately 16.5%. The increase was mainly due to the increased personnel costs and the sponsorship expenses for improving the Company's brand awareness. The administrative expenses as a percentage of revenue was approximately 6.3% for the six months ended 30 June 2022 and approximately 5.4% for the six months ended 30 June 2021.

R&D Costs

The Group's R&D costs primarily consisted of staff costs, materials consumption, clinical trials costs, depreciation and amortisation, and other miscellaneous R&D expenses. For the six months ended 30 June 2022, the Group's R&D costs amounted to approximately RMB294.1 million, as compared to approximately RMB344.9 million for the six months ended 30 June 2021, representing a decrease of approximately RMB50.8 million, or approximately 14.7%. The decrease was mainly due to the slow down of the Group's R&D projects, which was affected by the COVID-19 pandemic. The R&D costs accounted for approximately 9.5% of revenue for the six months ended 30 June 2022, as compared to approximately 11.1% for the corresponding period in 2021.

Other Expenses and Losses

The Group's other expenses and losses primarily consisted of donation expenses, provision for impairment of financial assets, and other miscellaneous expenses and losses. For the six months ended 30 June 2022, the Group's other expenses and losses amounted to approximately RMB123.4 million, as compared to approximately RMB7.5 million for the six months ended 30 June 2021, representing an increase of approximately RMB115.9 million, or approximately 1,545.3%. The increase was mainly due to the increase in provision for impairment of financial assets and investment in an associate.

Finance Costs

For the six months ended 30 June 2022, the Group's finance costs amounted to approximately RMB34.7 million, as compared to approximately RMB32.3 million for the six months ended 30 June 2021, representing a slight increase of approximately RMB2.4 million, or approximately 7.4%. Excluding the non-cash interest expenses of the 2025 Bonds, the finance cost increased from RMB1.7 million for the six months ended 30 June 2021 to approximately RMB6.1 million for the six months ended 30 June 2022, representing an increase of approximately RMB4.4 million, or approximately 258.8%. The increase was mainly due to the increased interest-bearing bank borrowings for the six months ended 30 June 2022.

Income Tax Expense

For the six months ended 30 June 2022, the Group's income tax expense amounted to approximately RMB164.0 million, as compared to approximately RMB134.8 million for the six months ended 30 June 2021, representing an increase of approximately RMB29.2 million, or approximately 21.7%. The increase was mainly due to the increase of the taxable income during the six months ended 30 June 2022, as compared to the corresponding period in 2021. The effective tax rates for the six months ended 30 June 2022 and the corresponding period in 2021 were 14.8% and 13.1%, respectively. The increase in effective tax rate was mainly due to the increase in non-deductible expenses for the six months ended 30 June 2022, as compared to those for the six months ended 30 June 2021.

Net Profit Attributable to Owners of the Parent and EBITDA

The net profit attributable to owners of the parent for the six months ended 30 June 2022 was approximately RMB954.5 million, as compared to approximately RMB898.9 million for the six months ended 30 June 2021, representing an increase of approximately RMB55.6 million, or approximately 6.2%. The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the 2025 Bonds; (b) the expenses associated with the share options and awarded shares granted in February 2017 and March 2020; (c) the expenses associated with the share options under the ESOP of Sunshine Guojian; and (d) gain on deemed disposal of investment in associates. The Group's normalized net profit attributable to owners of the parent for the six months ended 30 June 2022 was approximately RMB993.6 million, as compared to approximately RMB929.8 million for the six months ended 30 June 2021, representing an increase of approximately RMB63.8 million, or approximately 6.9%.

The EBITDA for the six months ended 30 June 2022 increased by approximately RMB85.2 million or approximately 7.2% to approximately RMB1,262.6 million, as compared to approximately RMB1,177.4 million for the six months ended 30 June 2021. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the 2025 Bonds; (b) the expenses associated with the share options and awarded shares granted in February 2017 and March 2020; (c) the expenses associated with the share options under the ESOP of Sunshine Guojian; and (d) gain on deemed disposal of investment in associates. The Group's normalized EBITDA for the six months ended 30 June 2022 increased by approximately RMB95.6 million or approximately 8.1% to approximately RMB1,273.2 million, as compared to approximately RMB1,177.6 million for the six months ended 30 June 2021.

Earnings Per Share

The basic earnings per share for the six months ended 30 June 2022 was approximately RMB0.39, as compared to approximately RMB0.35 for the six months ended 30 June 2021, representing an increase of approximately 11.4%.

Financial Assets Measured at Fair Value

As at 30 June 2022, financial assets measured at fair value primarily comprised the investment in treasury or cash management products issued by certain banks, the investments in listed companies and the investments in private equity funds which focus on investment in health-care industry.

Liquidity, Financial and Capital Resources

The Group's liquidity remained strong. For the six months ended 30 June 2022, the Group's operating activities generated a net cash inflow of approximately RMB1,073.4 million, as compared to approximately RMB811.5 million for the six months ended 30 June 2021, representing an increase of RMB261.9 million or approximately 32.3%. The increase was mainly attributable to the increased cash inflow from the sales of biopharmaceuticals. As at 30 June 2022, the Group's cash and bank balances and bank financial products were approximately RMB6,415.1 million.

Net Current Assets

As at 30 June 2022, the Group had net current assets of approximately RMB6,981.8 million, as compared to net current assets of approximately RMB6,370.7 million as at 31 December 2021. The increase in net current assets was mainly attributable to the net cash inflow in 2022. The current ratio of the Group decreased from approximately 5.5 as at 31 December 2021 to approximately 4.7 as at 30 June 2022. The decrease in current ratio was mainly attributable to the higher current liabilities which was brought by the dividend declared in 2022.

Funding and Treasury Policies, Borrowing and Pledge of Assets

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

As at 30 June 2022, the Group had total interest-bearing bank borrowings of approximately RMB1,568.0 million, as compared to approximately RMB314.3 million as at 31 December 2021. The increase in bank borrowings primarily reflected the additional bank-borrowing of approximately RMB1,406.4 million, partly offset by the repayment of loans of RMB150.0 million, in the six months ended 30 June 2022. Among the short-term deposits, none was pledged to secure bank loans as at 30 June 2022.

As at 30 June 2022, the Group had convertible bonds outstanding of approximately RMB2,233.4 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings (excluding the 2025 Bonds) by the total equity, increased to approximately 10.9% as at 30 June 2022 from approximately 2.1% as at 31 December 2021. The increase was primarily due to increased bank borrowings in the six months ended 30 June 2022.

Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB1,288.1 million as at 30 June 2022, as compared to approximately RMB1,297.4 million as at 31 December 2021.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in Mainland China, with all material aspects of its regular business conducted in Renminbi other than: (1) the operations of Sirton; and (2) the Group's exports, which amounted to approximately RMB29.8 million, or approximately 1.0% of the Group's revenue, for the six months ended 30 June 2022. Except for the operations of Sirton, the Group's exports, potential international deal-making expenditures (such as related to international licensing and acquisitions), foreign currency denominated bank borrowings and bank deposits and the Euro-denominated bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 30 June 2022, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD91.4 million (equivalent to approximately RMB613.7 million); (2) approximately HKD501.3 million (equivalent to approximately RMB428.7 million); and (3) approximately EUR13.2 million (equivalent to approximately RMB92.3 million). The Group expects that the fluctuation of the Renminbi exchange rate will not have a material adverse effect on the operations of the Group in the foreseeable future.

Significant Investments Held

During the six months ended 30 June 2022, the Group did not have any significant investments.

Future Plans for Material Investments or Capital Assets

The Group estimates that the total capital expenditure of the Group for the next three years will be in the range of RMB1,200 million to RMB1,500 million. These expected capital expenditures will primarily be incurred for the expansion of the Group's production capabilities and the maintenance of the Group's existing facilities. The Group expects to finance its capital expenditures through a combination of internally generated funds, bank borrowings and equity financing.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2022, the Group employed a total of 5,160 employees, as compared to a total of 5,292 employees as at 31 December 2021. The staff costs, including Directors' emoluments but excluding any contributions to the pension scheme, were approximately RMB594.9 million for the six months ended 30 June 2022, as compared to approximately RMB595.5 million for the corresponding period in 2021. The Group generally formulated its employees' remuneration package to include salary, bonus, equity compensation, and allowance elements. The compensation programs were designed to remunerate the employees based on their performance, measured against specified objective criteria. The Group also provided the employees with welfare benefits in accordance with applicable regulations and the Group's internal policies. The Company has adopted a share option scheme and a share award scheme ("**2019 Share Award Scheme**") and other incentive initiatives such as cash awards for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. In addition, Sunshine Guojian adopted a restricted share incentive plan in February 2021.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of members of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Except as expressly described below, the Company has complied with all applicable code provisions set out in the CG Code during the six months ended 30 June 2022.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code during the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in the subsection headed "*CS Sunshine Transactions*" below, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2022. On 14 July 2022, the Company repurchased a portion of the 2025 Bonds in the principal amount of EUR31,000,000.

CS Sunshine Transactions

On 13 January 2022, the Company completed an off-market repurchase of 85,760,087 Shares[12] (representing approximately 3.4% of the total then issued Shares) from CS Sunshine Investment Limited ("**CS Sunshine**"), for a total consideration of HKD581,453,389.86, equivalent to HKD6.78 per Share. All such 85,760,087 repurchased Shares had been cancelled by the Company. On the same day, Mighty Decade Limited, the holding company of the trust for the 2019 Share Award Scheme, completed an off-market acquisition from CS Sunshine of 40,357,688 Shares (representing approximately 1.6% of the total then issued Shares) for a total consideration of HKD273,625,124.64, equivalent to HKD6.78 per Share. CS Sunshine is a substantial shareholder of the Company, who still held approximately 14.20% of the total then issued Shares immediately after the aforesaid two transactions. CS Sunshine is an affiliate of CITIC Securities Company Limited.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises the three independent non-executive Directors, namely Mr. PU Tianruo (chairman), Mr. NG, Joo Yeow Gerry and Ms. YANG, Hoi Ti Heidi.

The Audit Committee, together with the Board, has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022. The Audit Committee has also reviewed the effectiveness of the financial controls and internal control and risk management systems of the Company, and considers the internal control and risk management systems to be effective and adequate.

[12] "**Share(s)**": ordinary share(s) in the capital of the Company with a par value of US$0.00001 each

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the interim results announcement of the Group's results for the six months ended 30 June 2022 has been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Ernst & Young on the interim results announcement.

PUBLICATION OF THE INTERIM RESULTS AND 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

The Company's 2022 interim report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 August 2022

As at the date of this announcement, the Board comprises Dr. LOU Jing and Ms. SU Dongmei as executive directors; Mr. HUANG Bin and Mr. TANG Ke as non-executive directors; and Mr. PU Tianruo, Ms. YANG, Hoi Ti Heidi and Mr. NG, Joo Yeow Gerry as independent non-executive directors.