三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 40285)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS*

- Revenue increased by RMB477.4 million or 7.5% to RMB6,859.4 million.
- Gross profit increased by RMB396.2 million or 7.5% to RMB5,671.9 million, and gross profit margin was 82.7%.
- Research and development costs decreased by RMB60.7 million or 8.1% to RMB693.2 million, accounting for 10.1% of revenue.
- Net profit attributable to owners of the parents increased by RMB263.7 million or 16.0% to RMB1,914.9 million. Normalized net profit attributable to owners of the parent[1] increased by RMB435.8 million or 25.2% to RMB2,162.8 million.
- EBITDA increased by RMB428.0 million or 19.7% to RMB2,603.0 million. Normalized EBITDA[2] increased by RMB606.0 million or 27.7% to RMB2,796.3 million.
- The Board proposed to declared a final dividend of HKD10 cents per share for the year ended 31 December 2022 (2021: HKD20 cents).

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

Notes:

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

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

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**"), together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
REVENUE	5	**6,859,433**	6,382,009
Cost of sales	6	**(1,187,529)**	(1,106,286)
Gross profit		**5,671,904**	5,275,723
Other income and gains	5	**750,401**	330,069
Selling and distribution expenses		**(2,579,787)**	(2,324,017)
Administrative expenses		**(384,728)**	(371,488)
Research and development costs		**(693,172)**	(753,872)
Other expenses	6	**(355,885)**	(184,023)
Finance costs	7	**(101,053)**	(66,525)
Share of profits and losses of:			
A joint venture		**(2,555)**	(3,178)
Associates		**(31,092)**	(33,923)
PROFIT BEFORE TAX		**2,274,033**	1,868,766
Income tax expense	8	**(366,016)**	(241,193)
PROFIT FOR THE YEAR		**1,908,017**	1,627,573
Attributable to:			
Owners of the parent		**1,914,885**	1,651,247
Non-controlling interests		**(6,868)**	(23,674)
		1,908,017	1,627,573
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	10	**RMB0.78**	RMB0.65
— Diluted	10	**RMB0.74**	RMB0.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,908,017**	1,627,573
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**71,773**	(38,047)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**71,773**	(38,047)
Other comprehensive (loss)/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	**(139,005)**	72,333
Income tax effect	**5,125**	7,246
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(133,880)**	79,579
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(62,107)**	41,532
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,845,910**	1,669,105
Attributable to:		
Owners of the parent	**1,852,778**	1,692,779
Non-controlling interests	**(6,868)**	(23,674)
	1,845,910	1,669,105

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,086,097**	3,440,218
Right-of-use assets		**380,214**	388,035
Goodwill		**4,140,061**	3,843,883
Other intangible assets		**1,578,312**	1,849,164
Investments in joint ventures		**1,212**	3,767
Investments in associates		**622,637**	696,823
Equity investments designated at fair value through other comprehensive income		**554,974**	620,677
Prepayments, other receivables and other assets		**353,810**	298,835
Non-pledged time deposits	12	**201,183**	—
Deferred tax assets		**309,279**	280,475
Total non-current assets		**12,227,779**	11,421,877
CURRENT ASSETS			
Inventories		**712,164**	690,523
Trade and notes receivables	11	**1,310,064**	1,378,757
Prepayments, other receivables and other assets		**518,965**	768,726
Financial assets at fair value through profit or loss		**4,861,054**	1,900,023
Pledged deposits	12	**208,392**	184,592
Cash and cash equivalents	12	**2,150,286**	2,868,077
Total current assets		**9,760,925**	7,790,698
CURRENT LIABILITIES			
Trade and bills payables	13	**249,495**	230,407
Other payables and accruals		**1,028,506**	921,214
Deferred income		**28,549**	33,905
Interest-bearing bank and other borrowings	14	**363,259**	150,189
Lease liabilities		**12,234**	10,564
Tax payable		**111,888**	73,710
Total current liabilities		**1,793,931**	1,419,989
NET CURRENT ASSETS		**7,966,994**	6,370,709
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,194,773**	17,792,586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2022

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**1,901,748**	164,148
Lease liabilities		**27,587**	32,380
Convertible bonds		**2,163,735**	2,271,598
Deferred income		**416,914**	396,627
Deferred tax liabilities		**279,865**	264,468
Other non-current liabilities		**4,474**	5,568
Total non-current liabilities		**4,794,323**	3,134,789
Net assets		**15,400,450**	14,657,797
EQUITY			
Equity attributable to owners of the parent			
Share capital		**149**	155
Treasury shares		**(235,641)**	-
Share premium		**3,693,433**	4,152,181
Other reserves		**9,504,733**	8,075,114
		12,962,674	12,227,450
Non-controlling interests		**2,437,776**	2,430,347
Total equity		**15,400,450**	14,657,797

1. CORPORATE AND GROUP INFORMATION

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

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and certain financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

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 IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group 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* (the "**Conceptual Framework**") issued in March 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 to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, 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 as determined by IAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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 IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is 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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**6,650,681**	6,240,921
Others	**208,752**	141,088
	6,859,433	6,382,009

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

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**8,981,674**	8,496,632
Others	**2,180,669**	2,024,093
	11,162,343	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 year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of biopharmaceuticals	**6,693,558**	6,271,104
Contract development and manufacturing operation business	**165,875**	110,905
	6,859,433	6,382,009

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Sale of biopharmaceuticals	**6,693,558**	6,271,104
Contract development and manufacturing operation business	**165,875**	110,905
Total revenue from contracts with customers	**6,859,433**	6,382,009
Geographical markets		
Mainland China	**6,650,681**	6,240,921
Others	**208,752**	141,088
Total revenue from contracts with customers	**6,859,433**	6,382,009
Timing of revenue recognition		
Goods transferred at a point in time	**6,693,558**	6,271,104
Services transferred at a point in time	**165,875**	110,905
Total revenue from contracts with customers	**6,859,433**	6,382,009

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

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of biopharmaceuticals	**20,539**	33,733

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of biopharmaceuticals

The performance obligation is satisfied upon receipt of the biopharmaceutical products by customers and payment is generally due within 60 to 90 days from reception, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and trade discounts which give rise to variable consideration subject to constraint.

Contract development and manufacturing operation business

The performance obligation is satisfied upon receipt of the technical services by customers or over time as services are rendered and payment is generally due within 60 to 90 days from reception, except for new customers, where payment in advance is normally required.

	2022	2021
	RMB'000	*RMB'000*
Other income		
Government grants related to		
— Assets (a)	**30,156**	27,718
— Income (b)	**42,823**	29,921
Interest income	**150,655**	74,448
Dividend income	**—**	4,011
Others	**9,376**	18,160
	233,010	154,258
Gains		
Gain on repurchase of convertible bonds	**1,284**	—
Gain on deemed disposal of associates	**3,485**	16,597
Foreign exchange differences, net	**274,639**	135,009
Fair value gains on financial assets at fair value through profit or loss	**237,983**	24,205
	517,391	175,811
	750,401	330,069

Notes:

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

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

6. PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**1,055,047**	1,029,339
Cost of service provided	**132,482**	76,947
Depreciation of property, plant and equipment	**183,405**	183,029
Depreciation of right-of-use assets	**20,382**	22,621
Amortisation of other intangible assets	**162,319**	123,352
Amortisation of long-term deferred expenses	**12,446**	9,322
Lease payments not included in the measurement of lease liabilities	**4,351**	3,203
Auditor's remuneration	**8,168**	6,625
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**1,097,678**	1,014,218
Equity-settled compensation expenses	**10,738**	31,777
Pension scheme contributions	**86,059**	77,933
Social welfare and other costs	**136,421**	112,344
	1,330,896	1,236,272
Other expenses and losses:		
Donation	**22,180**	23,790
Loss on disposal of items of property, plant and equipment	**4,269**	13,892
Reversal of provision for impairment of long-term receivables	**—**	(2,800)
Provision for impairment of trade receivables	**7,626**	5,366
Provision for impairment of prepayments, other receivables and other assets	**62,417**	104,952
Provision for impairment of other intangible assets	**186,019**	—
Provision for impairment of investment in an associate	**60,039**	30,114
Others	**13,335**	8,709
	355,885	184,023

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**44,632**	3,269
Interest on convertible bonds	**54,649**	60,416
Interest on lease liabilities	**1,772**	2,840
	101,053	66,525

8. INCOME TAX

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

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

No provision for Hong Kong profits tax has been made during the year as the Group had no assessable profits arising in Hong Kong.

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

Shenyang Sunshine, Sciprogen, Zhejiang Wansheng, NERC and Sunshine Guojian are qualified as High and New Technology Enterprises and are entitled to a preferential income tax rate of 15%. In accordance with relevant Italian tax regulations, Sirton Pharmaceuticals S.p.A. ("**Sirton**") is subject to income tax at a rate of 27.9% (2021: 27.9%).

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

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

	2022	2021
	RMB'000	*RMB'000*
Current	**384,548**	302,914
Deferred	**(18,532)**	(61,721)
Total tax charge for the year	**366,016**	241,193

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China to the tax expense at the effective tax rate is as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**2,274,033**	1,868,766
At the PRC's statutory income tax rate of 25%	**568,508**	467,192
Preferential income tax rates applicable to subsidiaries	**(242,269)**	(199,306)
Additional deductible allowance for research and development expenses	**(71,226)**	(100,366)
Income not subject to tax	**(4,135)**	(6,338)
Effect of non-deductible expenses	**14,895**	21,325
Tax losses utilised from previous periods	**(12,152)**	(80)
Tax losses not recognised	**112,542**	60,367
Others	**(147)**	(1,601)
Tax charge at the Group's effective rate	**366,016**	241,193

The effective tax rate of the Group for the year ended 31 December 2022 was 16.1% (2021: 12.9%).

9. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Proposed 2021 final — HKD20 cents per ordinary share	**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 been paid to the shareholders of the Company within the reporting period.

A final dividend in respect of the year ended 31 December 2022 of HKD10 cents per share was proposed pursuant to a resolution passed by the Board on 21 March 2023 and subject to the approval of the shareholders at the 2023 annual general meeting. The proposed dividend is not reflected as dividend payable in the consolidated financial statements.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,444,078,746 (2021: 2,543,041,835) in issue during the year, as adjusted to reflect the issue of ordinary shares during the year.

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

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

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**1,914,885**	1,651,247
Interest on convertible bonds	**54,649**	60,416
Less: Gain on repurchase of convertible bonds	**(1,284)**	—
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds and gain on repurchase of convertible bond	**1,968,250**	1,711,663

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,444,078,746**	2,543,041,835
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	156,136
Awarded shares	**12,635,448**	14,885,448
Convertible bonds	**191,494,581**	212,035,522
	2,648,208,775	2,770,118,941

11. TRADE AND NOTES RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**1,282,926**	1,346,626
Notes receivable	**92,560**	89,927
	1,375,486	1,436,553
Provision for impairment of trade receivables	**(65,422)**	(57,796)
	1,310,064	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 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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**488,575**	787,646
1 to 3 months	**686,086**	463,622
3 to 6 months	**31,733**	29,003
6 months to 1 year	**10,460**	17,073
1 to 2 years	**23,981**	6,806
Over 2 years	**42,091**	42,476
	1,282,926	1,346,626

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**57,796**	52,430
Impairment losses, net	**7,626**	5,366
At end of year	**65,422**	57,796

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Ageing						
	Within 1 month	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**0.68%**	**0.57%**	**0.51%**	**0.59%**	**52.33%**	**100%**	**4.58%**
Gross carrying amount (RMB'000)	**488,575**	**686,086**	**31,733**	**10,460**	**17,016**	**42,091**	**1,275,961**
Expected credit losses (RMB'000)	**3,337**	**3,901**	**162**	**62**	**8,904**	**42,091**	**58,457**

In addition to the above provision matrix, for certain customer whose credit risk increased significantly, the Group has made an individual loss allowance. As at 31 December 2022, the accumulated individual loss allowance was RMB6,965,000 with a carrying amount before loss allowance of RMB6,965,000.

As at 31 December 2021

	Ageing						
	Within 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.89%	0.86%	0.99%	0.93%	56.63%	100%	4.29%
Gross carrying amount (RMB'000)	787,646	463,622	29,003	17,073	6,806	42,476	1,346,626
Expected credit losses (RMB'000)	7,026	3,995	287	158	3,854	42,476	57,796

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**2,149,460**	2,803,262
Restricted cash	**826**	64,815
Pledged deposits	**208,392**	184,592
Non-pledged time deposits	**201,183**	—
	2,559,861	3,052,669
Less:		
Pledged deposits	**(208,392)**	(184,592)
Non-pledged time deposits	**(201,183)**	—
Cash and cash equivalents	**2,150,286**	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, and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

The Group's cash and cash equivalents and deposits as at 31 December 2022 are denominated in the following currencies:

	2022	2021
	RMB'000	*RMB'000*
Denominated in:		
— RMB	**2,152,711**	2,147,790
— HKD	**34,118**	267,370
— United States Dollar ("**USD**")	**299,199**	458,950
— EUR	**73,832**	178,557
— Great Britain Pound	**1**	2
	2,559,861	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 RMB208,392,000 (2021: RMB184,592,000) have been pledged to secure letters of credit, bank acceptance bills and pending lawsuits and arbitration as at 31 December 2022.

13. TRADE AND BILLS PAYABLES

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**217,964**	198,307
3 to 6 months	**27,195**	23,896
Over 6 months	**4,336**	8,204
	249,495	230,407

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans — unsecured	**2.30–2.80**	**2023**	**300,259**	3.15–3.30	2022	150,189
Bank loan — secured	**4.10**	**2023**	**63,000**	—	—	—
			363,259			150,189
Non-current						
Bank loan — unsecured	**1.48–6.27**	**2024–2025**	**1,716,787**	4.20	2029	30,000
Bank loans — secured	**2.75–4.20**	**2024–2031**	**184,961**	2.75–4.10	2028–2031	134,148
			1,901,748			164,148
Convertible bonds	**1.50**	**2020–2025**	**2,163,735**	1.50	2020–2025	2,271,598
			4,065,483			2,435,746
			4,428,742			2,585,935

	2022	2021
	RMB'000	*RMB'000*
Interest-bearing bank borrowings denominated in:		
— RMB	**496,260**	260,189
— HKD	**859,031**	—
— USD	**857,756**	—
— EUR	**51,960**	54,148
Total	**2,265,007**	314,337

	2022	2021
	RMB'000	*RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**363,259**	150,189
In the second year	**470,309**	—
In the third to tenth years, inclusive	**1,431,439**	164,148
	2,265,007	314,337

Notes:

(a) The bank borrowings bear interest at fixed interest rates ranging from 1.48% to 6.27% per annum.

(b) Certain of the Group's bank loans are secured by mortgages over the Group's freehold land, leasehold land, buildings and constructions in progress, which had net carrying values at the end of the reporting period of approximately RMB2,595,000 (2021: RMB2,524,000), RMB45,022,000 (2021: RMB31,453,000), RMB91,668,000 (2021: RMB78,307,000), RMB1,071,168,000 (2021: RMB578,823,000), respectively.

(c) Certain of the Group's bank loans are secured by the 90.34% equity interests in Northern Medicine Valley Desen (Shenyang) Biologics Co., Ltd. held by Shenyang Sunshine.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

3SBio is a leading biotechnology company in the PRC. As a pioneer in the Chinese biotechnology industry, the Group has extensive expertise in researching, developing, manufacturing and marketing biopharmaceuticals. The core products of the Group include several bio-pharmaceutical drugs, TPIAO (特比澳), recombinant human erythropoietin ("**rhEPO**") products EPIAO (益比奧) and SEPO (賽博爾), Yisaipu (益賽普), Cipterbin (賽普汀) and a small molecule drug, 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 64.8% in 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 market share of 44.5% in 2022. According to the data of Chinese Pharmaceutical Association (中國藥學會, "**CPA**"), Mandi has a dominant market share of 71.7% in the Mainland China minoxidil tincture market in terms of sales value in 2022. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a market share of 27.1% in the Mainland China TNF α market in 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 continuous 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™.

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

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

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.

Application for Market Launch of TPIAO in Pediatric ITP Indication

In November 2022, the supplemental New Drug Application ("**NDA**") of TPIAO was accepted by the NMPA in pediatric immune thrombocytopenia ("**ITP**") indication. As announced on 10 May 2022, a multi-center, 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.

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

The Stock Exchange of Hong Kong Limited ("**HKEx**") announced various amendments to the Rules Governing the Listing of Securities on HKEx (the "**HKEx 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 HKEx Listing Rules have already taken effect from 1 January 2022 and include the introduction of the Core Shareholder Protection Standards that 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 ("**MoA and AoA**") of the Company to reflect the Core Shareholder Protection Standards introduced by HKEx, 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 MoA and AoA of the Company embodying the proposed amendments in substitution for, and to the exclusion of, the previous amended and restated MoA and AoA of the Company.

At the annual general meeting of the Company ("**AGM**") held on 22 June 2022, the shareholders of the Company approved the adoption of the Second Amended and Restated MoA and AoA of the Company by passing 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.

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 shall 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 paid Cosmo an upfront payment and shall pay 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.

Arbitration of Sunshine Guojian

In September 2020, pursuant to the termination provisions under a cooperation agreement executed in December 2015 (the "**Aohai Agreement**") with Aohai Biotechnology (Shanghai) Co., Ltd. ("**Aohai**"), Sunshine Guojian served a written termination notice to Aohai to terminate the Aohai Agreement, as Aohai failed to meet the timeline in accordance with the terms of the Aohai Agreement. In July 2021, Aohai filed an arbitration application with Shanghai International Economic and Trade Arbitration Commission regarding the termination and the application has been accepted. As shown in Aohai's amended arbitration application in December 2022, Aohai claims for compensation in the revised amount of approximately RMB401.02 million. The management of Sunshine Guojian considers such claim was without basis and in bad faith. As at the date of this announcement, the arbitration is still ongoing.

The Directors have made an overall analysis including obtaining a legal opinion from the Group's PRC legal counsel, according to which, the possibility of payable compensation is remote. There was no significant impact to the consolidated financial statements as at 31 December 2022.

For certain other key events, please refer to, hereinafter, the subsections under "PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES", respectively headed "CS Sunshine Transactions" and "Repurchase and Cancellation of Convertible Bonds".

Key Events after the Reporting Period

Termination of Exclusive License Agreement with AstraZeneca in respect of Byetta and Bydureon

Due to further streamlining in respect to the licensed products under an exclusive license agreement with AstraZeneca[2], Hongkong Sansheng Medical Limited, a wholly-owned subsidiary of the Company, and AstraZeneca entered into a termination agreement on 28 February 2023 to agree that, with effect from 31 December 2023, the exclusive license agreement shall be terminated and the commercialization of the licensed products thereunder shall cease, except that the distribution by the third party distributors of Byetta licensed products acquired by such third party distributors prior to 31 December 2023 shall cease on 31 August 2025. For further details, please refer to the announcements of the Company dated 11 October 2016 and 28 February 2023.

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

Key Products

— Bio-pharmaceuticals

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 ("CTIT") (2022)"[3], rhTPO is listed as a treatment choice with the highest level recommendation, the Grade I recommendation. According to the "Chinese Guideline on the Diagnosis and Management of Adult Primary Immune Thrombocytopenia (2020 version)"[4], 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. In "Consensus on the Clinical Diagnosis, Treatment, and Prevention of Chemotherapy-Induced Thrombocytopenia in China (2019 version)"[5], rhTPO is one of the primary treatments for CIT. rhTPO has also received similar professional endorsements in several national guidelines and experts consensus on treating certain other diseases in Mainland China.

On 18 January 2023, TPIAO was listed on the 2022 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 25% to 35%. In 2022, its market share for the treatment of thrombocytopenia in Mainland China was 26.2% in terms of sales volume and 64.8% 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 has submitted the supplemental NDA to the NMPA in November 2022. A phase Ib/II clinical trial for TPIAO in patients with chronic hepatic dysfunction at the risk of thrombocytopenia has been completed,

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[3] Issued by the Chinese Society of Clinical Oncology ("**CSCO**")

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

[5] Issued by the Society of Chemotherapy, China Anti-Cancer Association; and Committee of Neoplastic Supportive-Care (CONS), China Anti-Cancer Association

and the Group is commencing preparation for Phase III clinical trial. 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.

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 patient enrollment of a phase III trial has been completed; and, for RD-01, a pegylated long-acting rhEPO, the Group plans to commence the phase III trial in the second half of 2023. 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 demonstrated promising effectiveness and manageable safety in patients with end-stage renal disease on hemodialysis. 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. 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. Compared with competitors, the efficacy and safety of Yisaipu has been proven in the domestic market over 18 years. In "2018 China Rheumatoid Arthritis Treatment Guidance", an authoritative document issued by the CMA, 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. TNF-inhibitors have been recommended in a number of professional guidelines, such as "EULAR Recommendations for the Management of Rheumatoid Arthritis with Synthetic and Biological Disease-Modifying Antirheumatic Drugs: 2022 Update", "Group for Research and Assessment of Psoriasis and Psoriatic Arthritis (GRAPPA): Updated Treatment Recommendations for Psoriatic Arthritis 2021" and "Recommendations for

Diagnosis and Treatment of Ankylosing Spondylitis"[6]. With the increasing number of competitors and price adjustment of the Group's own accord, the market share of Yisaipu decreased, at 27.1% in the Mainland China TNF α market in 2022. The Group is working on: 1) promoting the concept of long-term treatment of chronic diseases to highlight efficacy and safety of Yisaipu through post-marketing clinical studies; 2) coverage of new patients; and 3) further expansion to lower-tier cities and hospitals. 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, and the review has been completed. The Group is of the view that the prefilled syringe of Yisaipu will improve patients convenience and contribute to further Yisaipu growth. Outside of Mainland China, Yisaipu has been approved in 15 countries, including Indonesia, the Philippines and Pakistan.

Cipterbin

Cipterbin (Inetetamab) is the first innovative anti-HER2 mAb in Mainland China with the engineered Fc region and optimized production process. Sunshine Guojian independently developed this product based on its proprietary technology platform. 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. Cipterbin has been listed on the NRDL since 2020. Inetetamab has been included in several clinical guidelines and experts consensus. 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 "Diagnosis and Treatment Guidelines of Breast Cancer (2022 edition)" issued by the PRC National Health Commission, Inetetamab (Cipterbin) is one of the treatments of advanced breast cancer. In "Efficacy and Safety of Inetetamab in combination with Chemotherapy as First-Line Treatment of HER2-Positive Metastatic Breast Cancer: A Subgroup Analysis in the HOPES Study"[7], Inetetamab has shown efficacy and safety equivalent to trastuzumab for patients in the first-line treatment of post-operative recurrence-metastases HER2-positive breast cancer, which validates its importance and potential as first-line treatment. Through multiple post-marketing studies, real-world studies and prospective clinical studies, the Group is actively building a new chain of evidence for the first-line treatment of Inetetamab in HER2-positive advanced breast cancer. In 2022, the sales coverage of Cipterbin extended to more than 1,300 hospitals in Mainland China, which represents an increase of approximately 710 hospitals from 2021.

— Small Molecules

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

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

[7] Published in Translational Breast Cancer Research, 2022

the U.S. Food and Drug Administration ("**FDA**") as well as the 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. In "Chinese Experts Consensus on the Diagnosis and Treatment of Female Androgenetic Alopecia (2022 edition)", 5% minoxidil receives the highest endorsement level in female androgenetic alopecia (FAGA).

According to the CPA's data, Mandi has a market share of 71.7% in Mainland China in 2022, with a year-on-year growth of 48.1% 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 10,000 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's brand, and will also help to convert high loyalty customers for retail and e-commerce channels. For 2022, the revenue of Mandi from medical institutions accounted for approximately 14% of Mandi total revenue, and it recorded year-on-year growth of approximately 2%; 2) coverage expansion in retail pharmacies. As Mandi currently has low coverage in retail pharmacies, there is potential for improvement. For 2022, the revenue of Mandi from retail pharmacies accounted for approximately 25% of Mandi's total revenue, and it recorded year-on-year growth of approximately 65%. 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 fine-tuned operation in and outside websites will continuously boost consumption on e-commerce platforms. For 2022, the revenue of Mandi from e-commerce accounted for approximately 60% of Mandi total revenue, and it recorded year-on-year growth of approximately 58%; 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 2–3% 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.

— CDMO Business

The Group's CDMO business currently comprises Northern Medicine Valley Desen (Shenyang) Biologics Co., Ltd. ("**Desen Biologics**"), Shanghai Shengguo Pharmaceutical Development Co., Ltd. ("**SIGO Biologics**"), 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**"). The 76,000-liter DS and DP manufacturing capacity for the first phase of the project has commenced to be successively certified and put into operation since 2023.

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 2022, the Group's CDMO business completed orders of approximately RMB165.9 million, with signed orders valuing over RMB100 million. 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.

Key Product Candidates

Remitch

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 in 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.

In addition, the clinical trial application of TRK-820 for improving pruritus in chronic liver diseases patients (only in cases where the existing treatment efficacy is unsatisfactory) was also accepted by the NMPA in February 2023. In the field of liver diseases, chronic liver diseases patients, such as hepatitis, cirrhosis and obstructive jaundice, often experience intensive pruritus through the body. In addition, the primary biliary cholanitis is a disease characterized by pruritus. Pruritus can seriously affect patients' activity and sleep. The pruritus caused by chronic liver diseases is believed to be related to a number of factors, and it is completely ineffective for certain patients treated with antihistamines, anti-allergic drugs and anion exchange resin. Such symptom is known as "refractory

pruritus". According to the data of epidemiological investigation, more than one fifth of the population in Mainland China are suffering from liver diseases, including approximately 90 million chronic hepatitis B virus (HBV) infection patients, approximately 10 million chronic hepatitis C virus (HCV) infection patients, approximately 7 million cirrhosis patients, approximately 173 to 310 million non-alcoholic fatty liver patients, approximately 62 million alcoholic liver disease patients, and approximately 460,000 liver cancer patients. Among them, skin itch occurs in 20% ~ 70% of primary biliary cirrhosis patients, 20% ~ 60% of primary sclerosing cholanitis patients, 20% ~ 50% of jaundice patients, 5.1% ~ 58.4% of HCV viral infection patients, and 8% ~ 36.2% of HBV viral infection patients. It was reported that existing anti-pruritics drugs are ineffective for 57.8% of pruritus patients. The Group will actively advance clinical development for this indication in Mainland China to meet the clinical needs of Chinese patients.

This product candidate is at an early stage of pharmaceutical development. For risks associated with pharmaceutical development, please refer to, under the heading "Principal Risks and Uncertainties" in the Company's 2021 Annual Report, "If the Group fails to develop and commercialize new pharmaceutical products, its business prospects could be adversely affected".

Winlevi®

In the second half of 2022, 3SBio officially commenced the preparation work for IND application of 1% clascoterone cream (Group R&D code: WS204), a collaboration product with Cosmo. In July 2022, 3SBio received from Cassiopea, a subsidiary of Cosmo, the exclusive right to develop and commercialize Winlevi®, to treat acne, in Greater China.

According to the data of Chinese Guidelines for the Treatment of Acne: 2019 Revised Version, more than 95% of Chinese suffer from different degrees of acne; 3% ~ 7% of acne patients incur scars on faces, which affects physical and mental health of acne patients. According to Frost & Sullivan, in 2018, there were over 100 million Chinese patients aged between 10 and 25 with acne vulgaris, while their drug treatment rate was at a low level, signaling that China's traditional therapeutic drugs failed to meet the clinical needs of these patients. The symptoms of acne severely affect the appearance of the patients and burden them psychologically, causing social, work and life barriers. An effective acne drug as treatment is required to help relieve patients from this skin disease.

WS204 (1% Clascoterone) cream is the world's first marketed topical androgen receptor (AR) inhibitor, developed by Cosmo for the patients with acne vulgaris aged 12 and above. Winlevi® has been approved by the U.S. FDA in November 2021. It is the first acne drug with a new mechanism of action (MOA) approved by the FDA in the past 40 years, which will provide an innovative and effective treatment for dermatologists and patients. Unlike oral hormones to treat acne, 1% clascoterone cream can be used by both male and female patients. According to Cosmo's public disclosure, Winlevi® has become the most prescribed branded topical acne drug in the U.S. market. As of the end of the third quarter 2022, there were more than 10,000 prescribers of Winlevi®, and this drug has generated more than 345,000 prescriptions in the U.S. market since its launch in November 2021. WS204 is expected to become the first AR antagonist for treating acne vulgaris in Mainland China, which may provide an innovative treatment option for hundreds of millions of acne patients, and contribute to better general skin health condition nationally.

This product candidate is at an early stage of pharmaceutical development. For risks associated with pharmaceutical development, please refer to, under the heading "Principal Risks and Uncertainties" in the Company's 2021 Annual Report, "If the Group fails to develop and commercialize new pharmaceutical products, its business prospects could be adversely affected".

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.

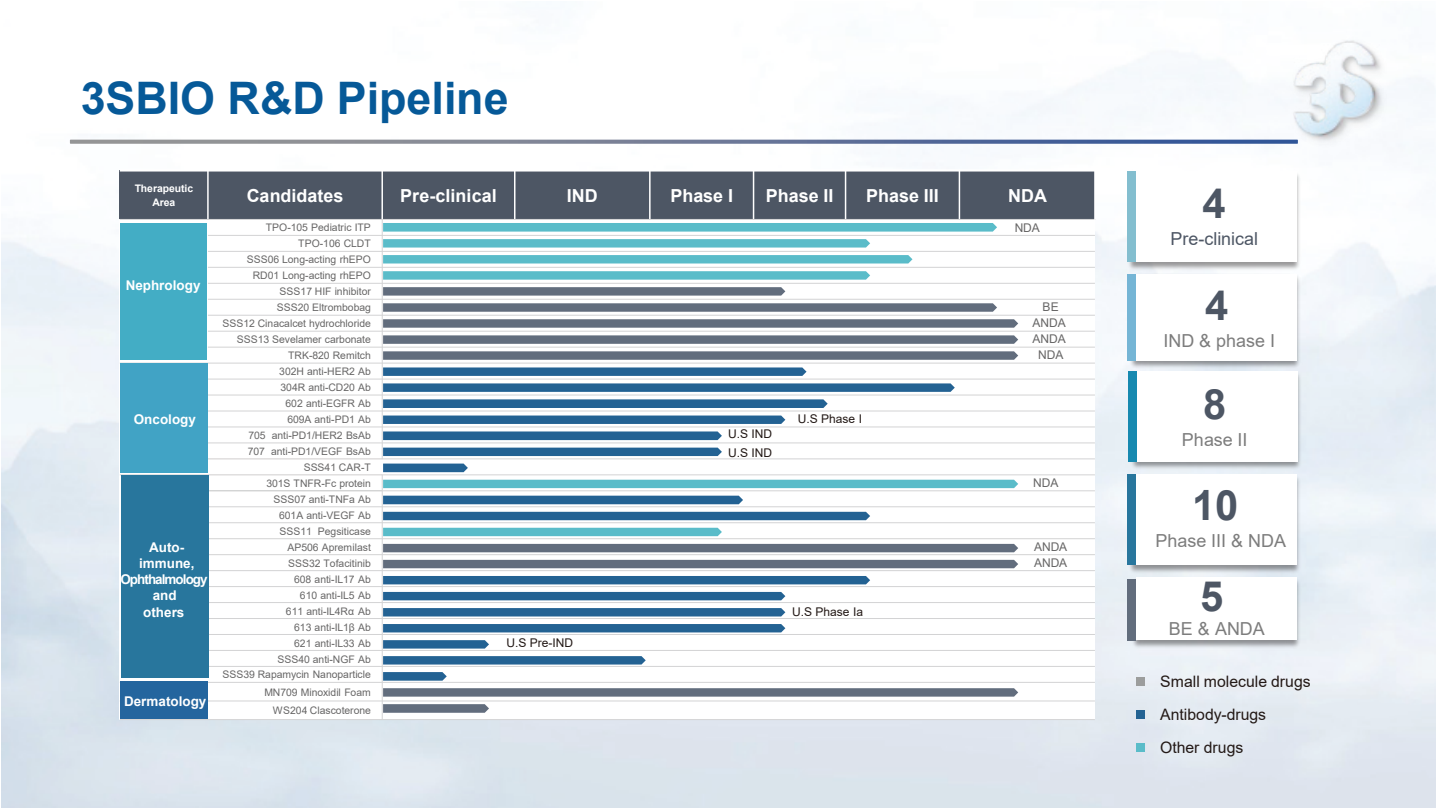
The Group focuses its R&D efforts on researching and developing innovative biological products as well as in small molecule therapeutics. Currently, the Group has several leading biological products in various stages of clinical development, including 301S (the pre-filled aqueous injection solution of Yisaipu), 608 (an anti-IL-17A antibody to treat autoimmune and other inflammatory diseases), SSS06 (NuPIAO, a second-generation rhEPO to treat anemia), 611 (an anti-IL4R antibody to treat atopic dermatitis), 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), 610 (an anti-IL-5 antibody to treat severe asthma) and 613 (an IL-1ß antibody to treat AG arthritis). 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 actively preparing for the bridging clinical trial application in Mainland China for clascoterone cream (Winlevi) in acne indication, and 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 engaged in developing innovative 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 nephrology, oncology, auto- immune and inflammatory diseases, 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 31 December 2022, amongst the 31 product candidates within the Group's active pipeline, 26 were being developed as innovative drugs in Mainland China. Out of these 31 product candidates, 16 are antibodies, 6 are other biologic products, and 9 are small molecule entities. The Group has 7 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; 9 product candidates in nephrology; and 2 product candidates in dermatology.



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, and the review has been completed.

Minoxidil foam formulation *(MN709)*: The Group has completed a multi-centered, randomized, and double-blinded phase III study comparing head-to-head 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 submitted 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 Group has submitted the supplemental NDA to the NMPA in November 2022. 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 commence a phase III trial within this year.

Pegsiticase *(SSS11)*: The Group is currently cooperating with its business partner Swedish Orphan Biovitrum AB (STO: SOBI) ("**Sobi**") in the United States to advance the phase III clinical trial of the combination therapy SEL-212 for chronic refractory gout. SEL-212 contains pegsiticase (also known as pegadricase, a recombinant enzyme that metabolizes uric acid). The Group will initiate a phase Ib clinical trial for SSS11 in patients with high uric acid level and medical history of gout symptoms in Mainland China within this year.

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 over 60 patients enrolled by February 2023.

NuPIAO *(EPO, SSS06)* : The Group has completed the patient enrollment of phase III clinical trial by the end of 2022.

Anti-*IL17A* mAb *(608)*: The phase II trial of 608 in patients with plaque psoriasis has reached the primary end-point. The phase III trial is in the process of patient enrollment, which is expected to complete in the first half of 2023.

Peg-EPO (RD-01): The Group has completed communications with the NMPA in respect of the RD-01 phase III clinical trial by early 2023, and plans to commence the phase III trial in the second half of 2023.

— Phase II development

Anti-*TNF* α mAb *(SSS07)*: The Group has resubmitted an IND application for a phase II trial in patients with RA, which has been approved.

Anti-*IL-1 ß* mAb *(613)*: The Group received an IND approval from the NMPA for 613 in acute gout (AG) indication in March 2022, and the patient enrollment of phase Ib/II trial has been completed. The phase III clinical trial of stage III AG arthritis is expected to initiate in the second half of 2023.

HIF-117 (SSS17): A phase II clinical trial of SSS17 to treat anemia patients has been initiated. SSS17 is a selective small molecule inhibitor to hypoxia inducible factor proline hydroxylase (HIF-PH), a molecule which can improve the stability and half-life period of hypoxia inducible factor-α (HIF-α), so as to motivate the secretion of erythropoietin (EPO). It is expected that SSS17 will have a synergistic effect with the Group's rhEPO injection drug in the future, providing patients with an alternative treatment option.

Anti-IL5 mAb (610): The phase II clinical study for 610 in refractory eosinophilic asthma indication is in the process of patient enrollment. The phase III clinical study of this indication is expected to initiate in the second half of 2023.

Anti-IL4R α mAb (611): A dose-escalating phase Ia clinical study in healthy volunteers has been completed in the U.S. The phase II study in patients with atopic dermatitis (AD) in Mainland China has completed patient enrollment in the first quarter of 2023. In the second half of 2023, the phase III clinical study of such indication is expected to initiate and the IND application of adolescent AD indication is expected to complete. The IND application for 611 in chronic rhinosinusitis (CRS) has been accepted by the NMPA in January 2023. The Center For Drug Evaluation's approval of the clinical trial application is expected and the clinical study of this indication will be initiated in the first half of 2023.

— Phase I development and new IND applications

Anti IL-33 mAb (621): The pre-IND application in patients with chronic obstructive pulmonary disease (COPD) indication in Mainland China has been completed in the first quarter of 2023, and the IND approval is expected in the second half of 2023. The IND application for dose-escalating study in healthy volunteers in the U.S. is planned to complete in the first half of 2023.

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 31 December 2022, the Group's extensive sales and distribution network in Mainland China was supported by approximately 2,652 sales and marketing employees, 1,073 distributors and 1,963 third-party promoters. In 2022, the Group's products were sold in over 2,700 Grade III hospitals and over 6,300 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 2022, the Group still proceeded with prudence and caution, taking adequate risk precautions for production and operations, with maximum safeguard for the normal production, transportation and sales of medicines, and providing timely, high-quality delivery of CDMO orders.

Looking forward in 2023, with the release of medical consumption demand, we expect that the demand for medicines will fully recover. In addition, the "National Reimbursement Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2022)" 《國家基本醫療保險、工傷保險和生育保險藥品目錄（2022 年）》 has been issued officially by the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC in 2023. Among the Group's products, Recombinant Human Thrombopoietin (TPIAO) and Inetetamab (Cipterbin) successfully re-entered the national medical insurance and made adjustments in part in relevant indications. Under the new medical insurance policy, the Group will continue to ensure the good order of production and quality control, and be diligent in its social responsibilities, and benefit more patients with high-quality and high-standard medicines.

The Group has been strongly confident in the domestic market potential of hair and skin drugs. In 2023, the Group will pursue unrelentingly the promotion and education for Mandi as a scientifically-proven drug for hair loss treatment, and enhance Mandi's brand recognition; the Group will also work on introducing a worldwide innovative acne drug, Clascoterone (WS204), in Mainland China, to provide more scientific treatment methods for domestic skin and hair patients.

Currently, with the expected gradual recovery of overseas liquidity and the consistency of national policies supporting pharmaceutical innovation, we expect that, in 2023, the investment and financing environment in the medical industry will continue to improve, and the driving force for R&D innovation in the domestic biopharmaceutical sector will persist. Leveraging on the Group's 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 pipeline progress, a number of the Group's products are expected to be launched in 2023. Yisaipu's prefilled syringe can provide more convenience for hundreds of thousands medical professionals and patients. Mandi Foam is the only one of its kind domestically, adding a medication choice for hair loss patients with sensitive scalp. Once approved, Remitch (nalfuraphine hydrochloride orally disintegrating tablets) shall be the first and the only domestic drug indicated for dialysis pruritus, filling a gap in the dialysis pruritus treatment area, which may bring significant clinical benefits to millions of domestic nephrology and liver diseases patients.

From the perspective of clinical R&D strategy, the Group will continue to focus on four fields of its strength, namely, nephrology, autoimmune diseases, hair and skin, and oncology. In particular, the Group will fast-track the auto-immune products with R&D progress surpassing domestic peers; and supercharge the bridging clinical trials for Clascoterone cream in acne indication and Remitch in liver diseases pruritus, both with vast market potentials and targeting an extraordinary number of patients. The Group will focus on the overall R&D strategic set-up and move forward in fast pace. As for investment and merger and acquisition strategies, the Group will investigate thoroughly, evaluate with prudence, balance risks and returns, and strive to maximize the Group's advantages. Driven by the mission to make innovative bio-pharmaceuticals within reach, the Group desires to see the early launch of more high-quality products to benefit patients.

Financial Review

Revenue

For the Reporting Period, the Group's revenue amounted to approximately RMB6,859.4 million, as compared to approximately RMB6,382.0 million for the year ended 31 December 2021, representing an increase of approximately RMB477.4 million, or approximately 7.5%. The increase was mainly attributable to the strong sales growth of TPIAO and Mandi.

For the Reporting Period, the Group's sales of TPIAO increased to approximately RMB3,397.2 million, as compared to approximately RMB3,080.0 million for the year ended 31 December 2021, representing an increase of approximately RMB317.2 million, or approximately 10.3%. The increase was primarily attributable to an increase in sales volume. For the Reporting Period, the sales of TPIAO accounted for approximately 49.5% of the Group's total revenue.

For the Reporting Period, the Group's combined sales of EPIAO and SEPO increased to approximately RMB1,129.5 million, as compared to approximately RMB1,119.7 million for the year ended 31 December 2021, representing an increase of approximately RMB9.8 million, or approximately 0.9%. For the Reporting Period, the Group's sales of EPIAO increased to approximately RMB843.2 million, as compared to approximately RMB833.7 million for the year ended 31 December 2021, representing an increase of approximately RMB9.5 million, or approximately 1.1%. For the Reporting Period, the Group's sales of SEPO increased to approximately RMB286.2 million, as compared to approximately RMB286.0 million for the year ended 31 December 2021, representing an increase of approximately RMB0.2 million, or approximately 0.1%. For the Reporting Period, the sales of EPIAO and SEPO accounted for a total of approximately 16.5% of the Group's total revenue.

For the Reporting Period, the Group's sales from alopecia area were approximately RMB907.5 million, as compared to approximately RMB619.4 million for the year ended 31 December 2021 representing an increase of approximately RMB288.1 million, or approximately 46.5%. The increase was mainly attributable to the increased market demand for hair loss and growth treatments, which was driven by the Group's diversified and effective promotional efforts. For the year ended 31 December 2022, the Group's sales of Mandi increased to approximately RMB890.9 million, as compared to approximately RMB601.6 million for the year ended 31 December 2021, representing an increase of approximately RMB289.3 million, or approximately 48.1%. For the Reporting Period, the sales from alopecia area accounted for approximately 13.2% of the Group's total revenue.

For the Reporting Period, the Group's sales of Yisaipu decreased to approximately RMB511.6 million, as compared to approximately RMB788.7 million for the year ended 31 December 2021, representing a decrease of approximately RMB277.1 million, or approximately 35.1%. The decrease was mainly attributable to lower sales volume as caused by the decrease

in medical consultation demand. For the Reporting Period, the sales of Yisaipu accounted for approximately 7.5% of the Group's total revenue.

For the Reporting Period, the Group's revenue from CDMO business and licensing revenue increased to approximately RMB165.9 million, as compared to approximately RMB110.9 million for the year ended 31 December 2021, representing an increase of approximately RMB55.0 million, or approximately 49.6%. The increase was mainly attributable to the increased CDMO orders from customers.

For the Reporting Period, the Group's other sales, which primarily consisted of sales from Cipterbin, Sparin (an injectable low-molecular-weight heparin calcium product indicated for: (1) prophylaxis and treatment of deep vein thrombosis; and (2) prevention of clotting during hemodialysis), export sales and other products, increased to approximately RMB784.0 million, as compared to approximately RMB692.7 million for the year ended 31 December 2021, representing an increase of approximately RMB91.3 million, or approximately 13.2%. The increase was mainly attributable to the increased sales of Cipterbin and Sparin, which was partially offset by the decreased sales of other products. For the Reporting Period, the Group's sales of Cipterbin increased to approximately RMB159.4 million, as compared to approximately RMB66.9 million for the year ended 31 December 2021, representing an increase of approximately RMB92.5 million, or approximately 138.1%.

Cost of Sales

The Group's cost of sales increased from approximately RMB1,106.3 million for the year ended 31 December 2021 to approximately RMB1,187.5 million for the Reporting Period, which accounted for approximately 17.3% of the Group's total revenue for the same period. The increase in the Group's cost of sales was due to the increased sales volume for the Reporting Period, as compared to the corresponding period in 2021.

Gross Profit

For the Reporting Period, the Group's gross profit increased to approximately RMB5,671.9 million, as compared to approximately RMB5,275.7 million for the year ended 31 December 2021, representing an increase of approximately RMB396.2 million, or approximately 7.5%. The increase in the Group's gross profit was broadly in line with its revenue growth during the year. The Group's gross profit margin was 82.7% for the Reporting Period, unchanged as 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, fair value gains on financial assets and other miscellaneous income. For the Reporting Period, the Group's other income and gains increased to approximately RMB750.4 million, as compared to approximately RMB330.1 million for the year ended 31 December 2021, representing an increase of approximately RMB420.3 million, or approximately 127.3%. The increase was mainly attributable

to the increase in foreign exchange gain and, interest income and fair value gains on financial assets in 2022, as compared to 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff costs, transportation expenses, consulting fees and other miscellaneous selling and distribution expenses. For the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB2,579.8 million, as compared to approximately RMB2,324.0 million for the year ended 31 December 2021, representing an increase of approximately RMB255.8 million, or approximately 11.0%. The increase was broadly in line with its revenue growth during the year. In terms of the percentage of revenue, the Group's selling and distribution expenses represented approximately 37.6% for the Reporting Period as compared to approximately 36.4% for the year ended 31 December 2021.

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 Reporting Period, the Group's administrative expenses amounted to approximately RMB384.7 million, as compared to approximately RMB371.5 million for the year ended 31 December 2021, representing a slight increase of approximately RMB13.2 million, or approximately 3.6%. The administrative expenses as a percentage of revenue was approximately 5.6% for the Reporting Period, as compared to approximately 5.8% for the corresponding period in 2021.

R&D Costs

The Group's R&D costs primarily consisted of staff costs, materials consumption, clinical trials costs, depreciation and amortization, and other miscellaneous R&D expenses. For the Reporting Period, the Group's R&D costs amounted to approximately RMB693.2 million, as compared to approximately RMB753.9 million for the year ended 31 December 2021, representing a decrease of approximately RMB60.7 million, or approximately 8.1%. The decrease was mainly due to the slow down in clinical trials progress and in clinical trial patient enrollments. The R&D costs as a percentage of revenue was approximately 10.1% for the Reporting Period, as compared to approximately 11.8% 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 impairment of investment in an associate, the write-off expenses of termination of the exclusive distribution rights in other intangible assets in relation to Byetta, and other miscellaneous expenses. For the Reporting Period, the Group's other expenses amounted to approximately RMB355.9 million, as compared to approximately RMB184.0 million for the year ended 31 December 2021, representing an increase of approximately RMB171.9 million, or

approximately 93.4%. The increase was mainly attributable to the increase in the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Byetta.

Finance Costs

For the Reporting Period, the Group's finance costs amounted to approximately RMB101.1 million, as compared to approximately RMB66.5 million for the year ended 31 December 2021, representing an increase of approximately RMB34.6 million, or approximately 51.9%. Excluding the non-cash interest expenses of the 2025 Bonds, the finance costs increased from approximately RMB6.1 million for the year ended 31 December 2021 to approximately RMB46.4 million for the Reporting Period, representing an increase of approximately RMB40.3 million, or approximately 660.7%. The increase was mainly due to the increase in interest-bearing bank borrowings in 2022.

Income Tax Expense

For the Reporting Period, the Group's income tax expense amounted to approximately RMB366.0 million, as compared to approximately RMB241.2 million for the year ended 31 December 2021, representing an increase of approximately RMB124.8 million, or approximately 51.8%. The effective tax rates for the Reporting Period and the corresponding period in 2021 were approximately 16.1% and 12.9%, respectively. The increase in effective tax rate was mainly due to the decreased extra-deductible R&D expenses and the increased unrecognised tax losses in 2022, as compared to 2021.

EBITDA and Net Profit Attributable to Owners of the Parent

The EBITDA for the Reporting Period increased by approximately RMB428.0 million or approximately 19.7% to approximately RMB2,603.0 million, as compared to approximately RMB2,175.0 million for the year ended 31 December 2021. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to 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 awarded shares under the ESOP by Sunshine Guojian; (d) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Byetta, and (e) gain on deemed disposal of investment in an associate. The Group's normalized EBITDA for the Reporting Period increased by approximately RMB606.0 million or approximately 27.7% to approximately RMB2,796.3 million, as compared to approximately RMB2,190.3 million for the year ended 31 December 2021.

The net profit attributable to owners of the parent for the Reporting Period was approximately RMB1,914.9 million, as compared to approximately RMB1,651.2 million for the year ended 31 December 2021, representing an increase of approximately RMB263.7 million, or approximately 16.0%. The normalized net profit attributable to owners of the parent is defined as the profit attributable to owners of the parent for the period excluding, as applicable: (a) the interest expenses incurred in relation to the 2025 Bonds; (b) the expenses associated with share options and awarded shares granted in February 2017, and March 2020; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; (d) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Byetta; and (e) gain on deemed disposal of investment in an associate. The Group's normalized net profit attributable to owners of the parent or the Reporting Period was approximately RMB2,162.8 million, as compared to approximately RMB1,727.0 million

for the year ended 31 December 2021, representing an increase of approximately RMB435.8 million, or approximately 25.2%.

Earnings Per Share

The basic earnings per share for the Reporting Period was approximately RMB0.78 as compared to approximately RMB0.65 for the year ended 31 December 2021, representing an increase of approximately 20.0%.

Financial Assets Measured at Fair Value

As at 31 December 2022, financial assets measured at fair value primarily comprised the investment in treasury or cash management products issued by certain banks, the investment in listed companies and the investments in private equity funds which focus on the healthcare industry.

The treasury or cash management products subscribed by the Group for treasury management purposes from time to time during the Reporting Period included wealth management products offered by various independent commercial banks. For further information, please refer to the section headed "Management Discussion and Analysis — Liquidity, Financial and Capital Resources — Significant Investments Held" in this announcement relating to the Group's subscriptions from independent commercial banks. Please also refer to the announcement of the Company dated 20 September 2022 relating to the Group's subscriptions of wealth management products.

Liquidity, Financial and Capital Resources

The Group's liquidity remained strong. For the Reporting Period, the Group's operating activities generated a net cash inflow of approximately RMB2,180.3 million, as compared to approximately RMB1,578.3 million for the year ended 31 December 2021, representing an increase of approximately RMB602.0 million or approximately 38.1%. The increase was mainly attributable to the increased cash inflow from the operating activities of the Group. As at 31 December 2022, the Group's cash and cash equivalents, non-pledged time deposits and pledged deposits were approximately RMB2,559.9 million.

Net Current Assets

As at 31 December 2022, the Group had net current assets of approximately RMB7,967.0 million, as compared to net current assets of approximately RMB6,370.7 million as at 31 December 2021. The current ratio of the Group was approximately 5.4 as at 31 December 2022, as compared to approximately 5.5 at 31 December 2021.

Funding and Treasury Policies, Borrowing and Pledge of Assets

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

As at 31 December 2022, the Group had an aggregate interest-bearing bank borrowing of approximately RMB2,265.0 million, as compared to approximately RMB314.3 million as at 31 December 2021. The increase in bank borrowings primarily reflected in 2022 the additional bank loans of RMB2,081.8 million, which was partially offset by repayment of bank loans of approximately RMB203.7 million. Among the short-term deposits, none was pledged to secure the aforementioned bank loans as at 31 December 2022.

As at 31 December 2022, the Group had outstanding convertible bonds of approximately RMB2,163.7 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 14.7% as at 31 December 2022 from approximately 2.1% as at 31 December 2021. The increase was primarily due to the increased bank borrowings in 2022.

Contingent Liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB1,320.5 million as at 31 December 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 RMB81.5 million, or approximately 1.2% of the Group's revenue,

for the Reporting Period. Except for the operations of Sirton, the Group's exports, possible international deal expenditures (such as related to international licensing and acquisitions), foreign currency denominated bank deposits, foreign currency bank loans and the Euro-dominated 2025 Bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 31 December 2022, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD43.0 million (equivalent to approximately RMB299.2 million); (2) approximately HKD38.2 million (equivalent to approximately RMB34.1 million); and (3) approximately EUR9.9 million (equivalent to approximately RMB73.8 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

As at 31 December 2022, the Group did not hold any significant investments. As at 31 December 2022, the Group held (i) equity investments designated at fair value through other comprehensive income of approximately RMB555.0 million; and (ii) wealth management products of various independent commercial banks as financial assets at fair value through profit or loss of approximately RMB4,861.1 million, none of which such investments in any group of entities or products offered by any group of commercial banks, in aggregate, represented 5% or more of the total assets of the Group.

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 maintenance of the Group's existing facilities and the expansion of the Group's production capabilities. The Group expects to finance its capital expenditures through a combination of internally generated funds and bank borrowings.

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2022, the Group employed a total of 5,213 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 RMB1,251.7 million for the Reporting Period, as compared to approximately RMB1,165.1 million for the corresponding period in 2021. The Group generally formulated its employees' remuneration package to include salary, bonus and allowance elements. The compensation programs were designed to remunerate the employees based on their performance, which is measured against specified objective criteria. The Group also provided the employees with welfare benefits in accordance with applicable regulations and the Group's internal policies. The Company has adopted a share option scheme and a share award scheme ("**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 has adopted a restricted share incentive plan in February 2021.

FINAL DIVIDEND

The Board proposed to declared a final dividend of HKD10 cents per share for the year ended 31 December 2022 (2021: HKD20 cents) to those shareholders whose names appeared on the register of members of the Company on Monday, 3 July 2023. Subject to the approval of shareholders of the Company at the forthcoming AGM, the final dividend will be paid in cash on or around Tuesday, 11 July 2023.

CLOSURE OF REGISTER OF SHAREHOLDERS

The AGM is scheduled to be held on Tuesday, 20 June 2023. For determining the entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 14 June 2023.

For determining the entitlement to the final dividend, the register of shareholders of the Company will be closed from Thursday, 29 June 2023 to Monday, 3 July 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to the final dividend, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 28 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the HKEx Listing Rules as its own code of corporate governance.

Except as expressly described below, the Company complied with all applicable code provisions set out in the CG Code during the Reporting Period.

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 HKEx are expected to comply with, but may choose to deviate from, the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer. Dr. LOU Jing currently performs these two roles. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and facilitating more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

The Board will from time to time review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed 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 Reporting Period.

CS Sunshine Transactions

On 13 January 2022, the Company completed an off-market repurchase of 85,760,087 ordinary shares of the Company ("**Shares**") (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 an affiliate of CITIC Securities Company Limited.

Repurchase and Cancellation of Convertible Bonds

In July 2022, the Company repurchased and cancelled part of the 2025 Bonds with a total principal amount of EUR31,000,000. After the cancellation, the outstanding principal amount of the 2025 Bonds was EUR289,000,000. For details, please refer to the next day disclosure return of the Company dated 15 July 2022.

USE OF PROCEEDS OF THE 2022 BONDS

In July 2017, the Group, through Strategic International Group Limited, a direct wholly-owned subsidiary of the Company, conducted an international offering of Euro-denominated zero-coupon convertible bonds, or the 2022 Bonds, in an aggregate principal amount of EUR300,000,000, due 2022, which was unconditionally and irrevocably guaranteed by the Company. All the 2022 Bonds had been repurchased or redeemed as of 4 September 2020.

The net proceeds from the issue of the 2022 Bonds amounted to approximately EUR295,898,164. As disclosed in the announcement of the Company dated 12 July 2017 regarding the then proposed issue of the 2022 Bonds, the net proceeds from the 2022 Bonds were proposed to be used for repaying the loans of the Group, future merger and acquisitions, R&D, purchase of operation facilities and other general corporate purposes. As of 30 June 2022, all of the net proceeds of the 2022 Bonds had been allocated or applied to repaying the loans of the Group, merger and acquisitions, purchase of operation facilities and other general corporate purposes.

AUDIT COMMITTEE

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

The Audit Committee has, together with the Board, reviewed and approved the accounting standards and practices adopted by the Group and the annual results for the Reporting Period. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company and considers them to be effective and adequate.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the preliminary results announcement of the Group for the Reporting Period have been agreed to by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Reporting Period. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2022 ANNUAL REPORT ON THE WEBSITES OF HKEX AND THE COMPANY

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

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

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

Hong Kong SAR, PRC
21 March 2023

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