三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1530)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS*

- Revenue increased by RMB950.2 million or 13.8% to RMB7,815.9 million.
- Gross profit increased by RMB970.0 million or 17.1% to RMB6,641.6 million, and gross profit margin was 85.0%.
- Net profit attributable to owners of the parent decreased by RMB366.5 million or 19.1% to RMB1,549.2 million. Net profit attributable to owners of the parent adjusted for non-operating items[1] increased by RMB293.3 million or 17.7% to RMB1,952.4 million.
- EBITDA decreased by RMB226.0 million or 8.6% to RMB2,389.1 million. EBITDA adjusted for non-operating items[2] increased by RMB464.6 million or 20.2% to RMB2,768.4 million.
- The Board proposed to declare a final dividend of HKD25 cents per share for the year ended 31 December 2023 (2022: HKD10 cents).

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

Notes:

1. The net profit attributable to owners of the parent adjusted for non-operating items 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) gain on redemption of 2025 Bonds; (c) the expenses associated with awarded shares granted in March 2020; (d) 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**"); (e) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Byetta; (f) gain on deemed disposal of investment in an associate; (g) fair value gains or losses on financial assets at fair value through profit or loss; and (h) non-operating foreign exchange differences.

2. The EBITDA adjusted for non-operating items 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 2023 (the "**Reporting Period**"), together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
REVENUE	*5*	**7,815,938**	6,865,735
Cost of sales	*6*	**(1,174,298)**	(1,194,161)
Gross profit		**6,641,640**	5,671,574
Other income and gains	*5*	**305,062**	749,917
Selling and distribution expenses		**(3,006,225)**	(2,580,528)
Administrative expenses		**(480,825)**	(393,431)
Research and development costs		**(794,794)**	(693,813)
Other expenses	*6*	**(444,308)**	(337,128)
Finance costs	*7*	**(212,296)**	(102,748)
Share of profits and losses of:			
A joint venture		**1,053**	(2,555)
Associates		**(30,848)**	(31,692)
PROFIT BEFORE TAX		**1,978,459**	2,279,596
Income tax expense	*8*	**(392,167)**	(370,737)
PROFIT FOR THE YEAR		**1,586,292**	1,908,859
Attributable to:			
Owners of the parent		**1,549,239**	1,915,727
Non-controlling interests/(losses)		**37,053**	(6,868)
		1,586,292	1,908,859
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	*10*	**RMB0.64**	RMB0.78
— Diluted	*10*	**RMB0.62**	RMB0.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000* (Restated)
PROFIT FOR THE YEAR	**1,586,292**	1,908,859
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**14,331**	71,773
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**14,331**	71,773
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(115,197)**	(139,005)
Income tax effect	**(461)**	5,125
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(115,658)**	(133,880)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(101,327)**	(62,107)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,484,965**	1,846,752
Attributable to:		
Owners of the parent	**1,447,912**	1,853,620
Non-controlling interest	**37,053**	(6,868)
	1,484,965	1,846,752

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**31 December 2023** ***RMB'000***	31 December 2022 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,692,152**	4,113,675
Right-of-use assets		**375,606**	388,620
Goodwill		**4,199,458**	4,140,061
Other intangible assets		**1,554,451**	1,578,312
Investments in joint ventures		**2,265**	1,212
Investments in associates		**593,316**	622,637
Equity investments designated at fair value through other comprehensive income		**521,724**	554,974
Prepayments, other receivables and other assets		**203,422**	353,810
Non-pledged time deposits	*12*	**2,015,347**	201,183
Deferred tax assets		**274,604**	303,949
Total non-current assets		**14,432,345**	12,258,433
CURRENT ASSETS			
Inventories		**777,539**	712,742
Trade and notes receivables	*11*	**1,095,132**	1,311,805
Prepayments, other receivables and other assets		**1,132,499**	504,790
Financial assets at fair value through profit or loss		**3,302,596**	4,861,054
Pledged deposits	*12*	**195,432**	208,392
Cash and bank balances	*12*	**2,689,485**	2,151,746
Total current assets		**9,192,683**	9,750,529
CURRENT LIABILITIES			
Trade and bills payables	*13*	**212,062**	249,521
Other payables and accruals		**1,332,393**	1,028,460
Deferred income		**29,152**	28,549
Interest-bearing bank and other borrowings	*14*	**2,111,603**	413,259
Lease liabilities		**9,735**	12,234
Tax payable		**32,665**	111,888
Total current liabilities		**3,727,610**	1,843,911
NET CURRENT ASSETS		**5,465,073**	7,906,618
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,897,418**	20,165,051

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2023

	Notes	**31 December 2023** ***RMB'000***	31 December 2022 *RMB'000* (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**1,462,733**	1,901,748
Lease liabilities		**27,813**	27,587
Convertible bonds		**—**	2,163,735
Bonds Payable	*15*	**1,225,959**	—
Deferred income		**412,156**	422,610
Deferred tax liabilities		**250,554**	279,865
Other non-current liabilities		**4,603**	5,925
Total non-current liabilities		**3,383,818**	4,801,470
Net assets		**16,513,600**	15,363,581
EQUITY			
Equity attributable to owners of the parent			
Share capital		**149**	149
Treasury shares		**(235,641)**	(235,641)
Share premium		**3,517,283**	3,693,433
Other reserves		**10,751,980**	9,467,864
Equity attributable to owners of the parent		**14,033,771**	12,925,805
Non-controlling interests		**2,479,829**	2,437,776
Total equity		**16,513,600**	15,363,581

1. CORPORATE AND GROUP INFORMATION

3SBio Inc. (the "**Company**") 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**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and certain financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. 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 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 the related assets (including goodwill), any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect.

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**7,598,511**	6,656,983
Others	**217,427**	208,752
Total revenue	**7,815,938**	6,865,735

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

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**9,371,178**	9,218,841
Others	**2,249,492**	2,180,669
Total non-current assets	**11,620,670**	11,399,510

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:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers		
Sale of biopharmaceuticals	**7,641,957**	6,699,860
Contract development and manufacturing operation business	**173,981**	165,875
Total revenue	**7,815,938**	6,865,735

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Types of goods or services		
Sale of biopharmaceuticals	**7,641,957**	6,699,860
Contract development and manufacturing operation business	**173,981**	165,875
Total revenue from contracts with customers	**7,815,938**	6,865,735
Geographical markets		
Mainland China	**7,598,511**	6,656,983
Others	**217,427**	208,752
Total revenue from contracts with customers	**7,815,938**	6,865,735
Timing of revenue recognition		
Goods transferred at a point in time	**7,641,957**	6,699,860
Services transferred at a point in time	**173,981**	165,875
Total revenue from contracts with customers	**7,815,938**	6,865,735

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:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of biopharmaceuticals	**37,552**	20,539

(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 30 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 30 to 60 days from reception, except for new customers, where payment in advance is normally required.

	2023	2022
	RMB'000	*RMB'000* (Restated)
Other income		
Government grants related to		
— Assets (a)	**22,756**	30,648
— Income (b)	**61,149**	42,823
Interest income	**153,124**	149,487
Others	**19,765**	9,563
Total other income	**256,794**	232,521
Gains		
Gain on repurchase of convertible bonds	**48,268**	1,284
Gain on deemed disposal of an associate	**—**	3,485
Foreign exchange differences, net	**—**	274,644
Fair value gains on financial assets at fair value through profit or loss	**—**	237,983
Total gains	**48,268**	517,396
Total other income and gains	**305,062**	749,917

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):

	Notes	2023 *RMB'000*	2022 *RMB'000* (Restated)
Cost of inventories sold		**1,029,861**	1,061,663
Cost of service provided		**144,437**	132,498
Depreciation of property, plant and equipment		**211,283**	186,845
Depreciation of right-of-use assets		**19,692**	20,613
Amortisation of other intangible assets		**103,873**	162,319
Amortisation of long-term deferred expenses		**16,614**	12,446
Lease payments not included in the measurement of lease liabilities		**8,437**	4,346
Auditor's remuneration		**8,301**	8,411
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages, salaries and staff welfare		**1,125,939**	1,099,976
Equity-settled compensation expenses		**(4,656)**	10,738
Pension scheme contributions*		**95,094**	86,384
Social welfare and other costs		**145,885**	136,843
Total		**1,362,262**	1,333,941
Other expenses:			
Donation		**21,629**	22,180
Loss on disposal of items of property, plant and equipment		**1,877**	4,329
(Reversal of provision)/provision for impairment of trade receivables	*11*	**(14,670)**	7,626
(Reversal of provision)/provision for impairment of prepayments, other receivables and other assets		**(10,502)**	43,531
Provision for impairment of other intangible assets		**—**	186,019
Provision for impairment of investment in an associate		**—**	60,039
Foreign exchange differences, net		**71,934**	—
Fair value losses on financial assets at fair value through profit or loss		**358,548**	—
Others		**15,492**	13,404
Total		**444,308**	337,128

* 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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Interest on bank borrowings	**159,546**	46,327
Interest on bonds payable	**25,606**	—
Interest on convertible bonds	**23,885**	54,649
Interest on lease liabilities	**3,259**	1,772
Total	**212,296**	102,748

8. INCOME TAX

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

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

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

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

Shenyang Sunshine, Sciprogen, Sunshine Mandi, 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% (2022: 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:

	2023	2022
	RMB'000	*RMB'000* (Restated)
Current	**391,672**	384,548
Deferred	**495**	(13,811)
Total tax charge for the year	**392,167**	370,737

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:

	2023	2022
	RMB'000	*RMB'000* (Restated)
Profit before tax	**1,978,459**	2,279,596
At the PRC's statutory income tax rate of 25%	**494,615**	569,900
Preferential income tax rates applicable to subsidiaries	**(219,026)**	(243,878)
Additional deductible allowance for research and development expenses	**(98,590)**	(71,226)
Income not subject to tax	**(3,558)**	(4,135)
Adjustments in respect of current tax of previous periods	**19,848**	5,663
Effect of non-deductible expenses	**42,602**	9,232
Tax losses utilised from previous periods	**–**	(12,152)
Tax losses not recognised	**89,946**	112,761
Others	**66,330**	4,572
Tax charge at the Group's effective rate	**392,167**	370,737

The effective tax rate of the Group for the year ended 31 December 2023 was 19.8% (2022: 16.3%).

Pillar Two income taxes

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation will be effective for the Group's financial year beginning 1 January 2024.

The Group is in the process of assessing the potential exposure arising from Pillar Two legislation based on the information available for the financial year ended 31 December 2023. Based on the assessment carried out so far, the Group has identified certain countries where the Pillar Two effective tax rates are likely to be lower than 15%. Quantitative information to indicate potential exposure to Pillar Two income taxes is currently not known or reasonably estimable.

9. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Proposed 2021 final — HKD20 cents per ordinary share	**—**	417,140
Proposed 2022 final — HKD10 cents per ordinary share	**224,883**	—

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 aforementioned dividend had been paid to the shareholders of Company in July 2023.

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 2,438,916,302 (2022: 2,444,078,746) 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:

	2023	2022
	RMB'000	*RMB'000* (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**1,549,239**	1,915,727
Interest on convertible bonds	**23,885**	54,649
Less: Gain on repurchase of convertible bonds	**(48,268)**	(1,284)
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds and gain on repurchase of convertible bonds	**1,524,856**	1,969,092

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,438,916,302**	2,444,078,746
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	—
Awarded shares	**2,750,000**	12,635,448
Convertible bonds	**—**	191,494,580
Total	**2,441,666,302**	2,648,208,774

11. TRADE AND NOTES RECEIVABLES

	2023	2022
	RMB'000	*RMB'000* (Restated)
Trade receivables	**1,060,439**	1,284,667
Notes receivable	**85,445**	92,560
Total	**1,145,884**	1,377,227
Provision for impairment of trade receivables	**(50,752)**	(65,422)
Net carrying amount	**1,095,132**	1,311,805

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:

	2023	2022
	RMB'000	*RMB'000* (Restated)
Within 1 month	**514,891**	489,022
1 to 3 months	**470,039**	686,265
3 to 6 months	**16,884**	31,933
6 months to 1 year	**9,132**	11,375
1 to 2 years	**7,283**	23,981
Over 2 years	**42,210**	42,091
Total	**1,060,439**	1,284,667

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

	2023	2022
	RMB'000	*RMB'000* (Restated)
At beginning of year	**65,422**	57,796
Impairment losses, net	**(14,670)**	7,626
At end of year	**50,752**	65,422

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 2023

	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	**0.53%**	**0.50%**	**0.44%**	**0.35%**	**46.24%**	**100%**	**4.79%**
Gross carrying amount (RMB'000)	**514,891**	**470,039**	**16,884**	**9,132**	**7,283**	**42,210**	**1,060,439**
Expected credit losses (RMB'000)	**2,717**	**2,350**	**75**	**32**	**3,368**	**42,210**	**50,752**

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%	0.55%	52.33%	100%	4.58%
Gross carrying amount (RMB'000)	489,022	686,265	31,933	11,375	17,016	42,091	1,277,702
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. With the collection efforts made by the Group, trade receivable amounting to USD999,960 was settled by certain customer in the second quarter of 2023 in respect of the individual loss allowance provided.

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023	2022
	RMB'000	*RMB'000* (Restated)
Cash at bank and on hand	**2,610,430**	2,150,920
Restricted cash	**731**	826
Pledged deposits	**195,432**	208,392
Non-pledged time deposits	**2,015,347**	201,183
Time deposits with original maturity of more than three months	**78,324**	—
Subtotal	**4,900,264**	2,561,321
Less:		
Pledged deposits	**(195,432)**	(208,392)
Non-pledged time deposits	**(2,015,347)**	(201,183)
Cash and bank balances	**2,689,485**	2,151,746
Less:		
Time deposits with original maturity of more than three months	**(78,324)**	—
Cash and cash equivalents	**2,611,161**	2,151,746

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

The Group's cash and cash equivalents and deposits as at 31 December 2023 are denominated in the following currencies:

	2023	2022
	RMB'000	*RMB'000* (Restated)
Denominated in:		
— RMB	**4,049,851**	2,154,171
— HKD	**81,060**	34,118
— United States Dollar ("**USD**")	**727,181**	299,199
— EUR	**42,171**	73,832
— Great Britain Pound ("**GBP**")	**1**	1
	4,900,264	2,561,321

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 RMB195,432,000 (2022: RMB208,392,000) have been pledged to secure letters of credit, bank acceptance bills and pending lawsuits and arbitration as at 31 December 2023.

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:

	2023	2022
	RMB'000	*RMB'000* (Restated)
Within 3 months	**182,022**	218,002
3 to 6 months	**25,875**	27,191
Over 6 months	**4,165**	4,328
Total	**212,062**	249,521

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

	2023			2022		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000* (Restated)
Current						
Bank loans — unsecured	**2.30–3.91**	**2024**	**1,485,796**	2.30–2.80	2023	300,259
Bank loan — secured	**1.95–3.65**	**2024**	**625,807**	3.40–4.10	2023	113,000
Total — current			**2,111,603**			413,259
Non-current						
Bank loan — unsecured	**1.30–6.60**	**2025**	**1,401,578**	1.48–6.27	2024–2025	1,716,787
Bank loans — secured	**2.75–3.65**	**2025–2031**	**61,155**	2.75–4.20	2024–2031	184,961
Subtotal — non-current			**1,462,733**			1,901,748
Bonds payable *(note 15)*	**4.20**	**2023–2025**	**1,225,959**	—	—	—
Convertible bonds	**—**	**—**	**—**	1.50	2020–2025	2,163,735
Total — non-current			**2,688,692**			4,065,483
Total			**4,800,295**			4,478,742

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Interest-bearing bank borrowings denominated in:		
— RMB	**689,835**	546,260
— HKD	**877,036**	859,031
— USD	**701,250**	857,756
— EUR	**1,306,215**	51,960
Total	**3,574,336**	2,315,007

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**2,111,603**	413,259
In the second year	**1,293,578**	470,309
In the third to tenth years, inclusive	**169,155**	1,431,439
	3,574,336	2,315,007

Notes:

(a) 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 RMB2,748,000 (2022: RMB2,595,000), RMB29,633,000 (2022: RMB45,022,000), RMB90,680,000 (2022: RMB91,668,000), RMB1,083,345,000 (2022: RMB1,071,168,000), respectively.

(b) The Group has entered into certain recourse factoring agreements with certain bank for financing purposes. As at 31 December 2023, trade receivables of RMB333,333,000 (31 December 2022: RMB5,556,000) had been transferred under recourse factoring agreements. Those trade receivables were derived from internal transactions within the Group and were eliminated in full on consolidation. In the opinion of the Directors, such transactions did not qualify for derecognition of the relevant trade receivables and the loans received from the bank were accounted for as secured borrowings.

(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. ("**Desen Biologics**") held by Shenyang Sunshine.

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

15. BONDS PAYABLE

On 26 June 2023, the Company issued unsecured non-listed bonds in an aggregate amount of RMB1,200,000,000 (the "**Panda Bonds**"). The bonds were priced at par at RMB100 each, carrying interest at a fixed rate of 4.20% per annum. The bonds will mature on 26 June 2025.

	31 December 2023 *RMB'000*
Bonds payable	**1,225,959**
Amount repayable:	
In the second year	**1,225,959**

16. BUSINESS COMBINATION

Acquisition of a subsidiary under common control

On 31 May 2023, the Group acquired a 100% interest in Liaoning Sunshine Technology Development Co., Ltd. ("**Liaoning Sunshine Technology**") from Dalian Huansheng Medical Investment Co., Ltd ("**Dalian Huansheng**") with a cash consideration of RMB1.00. Liaoning Sunshine Technology is engaged in the manufacture and sale of medical devices.

Since Liaoning Sunshine Technology and the Group are both under common control of Dr. Lou Jing before and after the acquisition, the acquisition is accounted for as merger accounting, i.e., the assets and liabilities of Liaoning Sunshine Technology are consolidated by the Group using the existing book values from Dr. Lou Jing's perspective, as if the current group structure had been in existence throughout the periods presented, with the difference between the book value of the net assets of Liaoning Sunshine Technology and the consideration directly credited to equity. The comparative figures of the consolidated financial statements have also been restated as a result of the merger accounting.

The book values of Liaoning Sunshine Technology's assets and liabilities as at 31 May 2023 and 31 December 2022 were as follows:

	31 May 2023 Book value *RMB'000*	31 December 2022 Book value *RMB'000*
Property, plant and equipment	**26,164**	27,578
Other intangible assets	**8,309**	8,405
Other current assets	**5,046**	5,690
Other current liabilities	**(5,574)**	(4,740)
Interest-bearing bank and other borrowings	**(82,200)**	(68,105)
Deferred income	**(5,492)**	(5,697)
Deficient in net assets	**(53,747)**	(36,869)
Difference directly credited to equity	**(53,747)**	—
Cash consideration	**RMB1.00**	—

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 bio-pharmaceuticals. 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 65% in 2023 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 over two decades, holding a total market share of 42.2% in 2023. According to the data of Chinese Pharmaceutical Association (中國藥學會, "**CPA**"), Mandi has a dominant market share of 72.6% in the Mainland China minoxidil tincture market in terms of sales value in 2023. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a market share of 22.7% in the Mainland China TNF α market in 2023. 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.

Key Events

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

Due to further streamlining in respect of 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.

1 All market share information throughout this announcement cites the IQVIA data, unless otherwise noted.
2 AstraZeneca refers to the applicable subsidiaries of AstraZeneca PLC.

First Patient Enrolled in TPIAO CLD Indication Phase III Trial

As announced on 22 May 2023, the first patient was enrolled in the trial of phase III clinical study of TPIAO in the treatment of patients with chronic liver disease ("**CLD**") related thrombocytopenia who are candidates for invasive surgery. Thrombocytopenia is a common complication of CLD, the degree of which is related to the severity of liver disease. About 78% of patients with liver cirrhosis have varying degrees of thrombocytopenia. The main cause of thrombocytopenia in CLD patients is decreased production of thrombopoietin (TPO).

Remitch NDA for Pruritus in Hemodialysis Patients Approved

As announced on 5 July 2023, the New Drug Application ("**NDA**") of narfuraphine hydrochloride orally disintegrating tablets (麗美治®, trade name in Japan: "レミッチOD錠2.5μg") submitted to the PRC National Medical Products Administration ("**NMPA**") has been approved (national drug approval No. HJ20230091) for the improvement of pruritus in hemodialysis patients (only in cases where the efficacy of existing treatments is not satisfactory). This is the first and only selective κ (kappa)-opioid receptor agonist approved by the NMPA to treat hemodialysis patients with refractory pruritus. In addition, the clinical trial application for this product to improve pruritus in patients with CLD (only in cases where the efficacy of existing treatments is not satisfactory) was approved in May 2023 (Notice No.: 2023LP00912).

Licensing Agreement with CStone Pharmaceuticals in respect of Anti-PD-1 mAb Nofazinlimab

As announced on 1 November 2023, Shenyang Sunshine, a subsidiary of the Company, has entered into an exclusive licensing agreement and a manufacturing technology transfer agreement with CStone Pharmaceuticals (Suzhou) Co., Ltd., a subsidiary of CStone Pharmaceuticals (HKEX stock code: 2616). According to the exclusive licensing agreement, 3SBio obtained an exclusive license from CStone Pharmaceuticals of its anti-PD-1 monoclonal antibody ("**mAb**") nofazinlimab (CS1003), encompassing development, registration, manufacturing and commercialization in Mainland China. Both parties agreed that CStone Pharmaceuticals will be responsible for completing the ongoing global pivotal phase III clinical study of nofazinlimab in combination with lenvatinib as first-line treatment for advanced hepatocellular carcinoma (HCC). According to the terms of the agreement, 3SBio will pay CStone Pharmaceuticals an upfront payment of RMB60 million and contingent development and registration milestone payments of up to nearly RMB100 million, as well as sales milestone payments and tiered royalties during the commercialization stage. According to the manufacturing technology transfer agreement, 3SBio, through its CDMO facility, will be solely and exclusively responsible for manufacturing and commercial supply of the licensed product in Mainland China in the future.

For certain other key event, please refer to, hereinafter, "PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES — Redemption and Delisting of 2025 Bonds".

Key Events after the Reporting Period

Mandi Foam Approved for Market Launch

As announced on 8 January 2024, the application for market launch of Mandi (5% minoxidil) Foam as an over-the-counter drug for the treatment of androgenetic alopecia and alopecia areata by 3SBio's subsidiary, Sunshine Mandi, to the NMPA has been approved.

Mandi Foam is the first domestic minoxidil foam approved for market launch. Its successfully completed phase III study showed Mandi Foam being of equivalent efficacy and similar safety and tolerability as ROGAINE®, the leading minoxidil drug in the U.S.. Minoxidil is currently a first-line topical drug for the clinical treatment of androgenetic alopecia. Mandi Foam has better transdermal speed and scalp accumulation rate, with milder scalp tolerance, rendering it a better choice for alopecia users.

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

TPIAO has been listed on the National Reimbursement Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》) ("**NRDL**") as a Class B Drug for the treatment of CIT in patients with solid tumors or ITP since 2017. In the "Guidelines of CSCO — Cancer Therapy Induced Thrombocytopenia ("**CTIT**") (2022 version)"[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.

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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

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. In 2023, its market share for the treatment of thrombocytopenia in Mainland China was 33.4% in terms of sales volume and 65.0% in terms of sales value. As announced in 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. As announced on 22 May 2023, the first patient was enrolled in the trial of phase III clinical study of TPIAO in the treatment of patients with CLD related thrombocytopenia who are candidates for invasive surgery. Outside of Mainland China, 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, for CIA in patients with non-hematological malignancies since 2019, and, additionally, for the reduction of allogeneic blood transfusion in surgery patients since 2023. 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 coverage reduction of allogeneic blood transfusion in surgery patients in the NRDL; 3) the improvement of anemia treatment standards; 4) the improvement of the diagnosis and treatment rate of cancer anemia; and 5) the proactive going-deep strategy in the lower-tier market, will continue to drive the further growth of clinical applications of its erythropoietin products. 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 have been proven in the domestic market over nearly two decades. In 2023, its market share was 22.7% in the Mainland China TNF α market. 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 α 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 Anti-rheumatic 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]. In 2024, Yisaipu will actively embrace centralized procurement to further promote the concept of long-term benefits of early-stage biotherapy and advance the timing of its use. It will continue to push forward the mid-market sinking strategy, vigorously develop and train young and middle-aged medical practitioners, strengthen the coverage of Yisaipu at primary departments, enhance the concept to use and market growth of rheumatic immune biological agents in key third and fourth tier cities, and meanwhile, actively expand the application of Yisaipu in different departments and fields including Chinese traditional medicine. The NDA for the pre-filled aqueous injection solution of Yisaipu (Group R&D code: 301S) was approved by the NMPA in March 2023. The launch of prefilled syringe of Yisaipu improves patients convenience and enhances the overall market competitiveness of Yisaipu.

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. 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. A large number of real-world studies, as well as studies initiated by clinical experts, have been conducted for Inetetamab, and new evidence-based data continues to be accumulated. In the 2023 American Society of Clinical Oncology (ASCO) Annual Meeting, several clinical

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

studies on Inetetamab (Cipterbin) have been selected for presentation[7]. With excellent efficacy and safety and increased clinical use, the acceptance of Cipterbin by physicians and patients has been in steady rise. In 2024, the Group will continue to drive sales growth of Cipterbin by further enriching the evidence-based medical evidence for the product, expanding the breadth of product use, and continuing to penetrate deeper into the existing market and gain access to new end users.

— ***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 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 72.6% in Mainland China in 2023. The increase of Mandi's sales is mainly due to professional online branding operation. For the Reporting Period, the revenue of Mandi recorded a year-on-year growth of approximately 25.8%. The Group believes that Mandi's continuous growth in the future will be driven by: 1) persistent market education, as the Group will continue to invest resources in promotion and market education regarding the science of hair growth, enhancing the social recognition of Mandi as the top brand of scientific hair growth; 2) professional digital marketing system, as Mandi expands its online layout from traditional e-commerce platforms such as Ali, JD, to new e-commerce platforms like Tiktok store and Little Red Book, creating diversified and fine-tuned operation, accurately reaching and converting potential customers, and continuously boosting sales on e-commerce platforms; and 3) launch of new foam formulation. The phase III study of the foam form of Mandi, comparing head-to-head in male hair loss patients to ROGAINE®, a 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

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7 (1) In "*Neoadjuvant inetetamab combined with pertuzumab, paclitaxel, and carboplatin (TCbIP) for locally advanced HER2-positive breast cancer: Primary analysis of a phase II study*", TCbIP displays a promising efficacy (pCR rate of 66.7%) and manageable toxicity in patients with HER2-positive LA breast cancer in the neoadjuvant setting. (2) In "*Safety and efficacy of inetetamab in combination with pyrotinib in HER2 mutant patients with non-small cell lung cancer (NSCLC): An open-label, phase Ib trial*", the preliminary data of Inetetamab in combination with pyrotinib showed manageable safety and compelling anti-tumor activity in advanced NSCLC patients harboring HER2 mutations. (3) In "*Anti-HER2 antibody inetetamab plus camrelizumab and utidelone for pre-treated HER2-positive metastatic breast cancer: Final results from the phase 2 ICU trial*", final efficacy and safety results were consistent with previous ICU study preliminary analyses. The ICU study showed a favorable benefit-risk profile and is an important option for Chinese patients with HER2-positive metastatic breast cancer after at least two lines of HER2-directed therapies with trastuzumab and TKIs.

Mandi (5% minoxidil) foam was approved by the NMPA as OTC drug for male alopecia and alopecia areata, as announced on 8 January 2024. Mandi foam is currently the only minoxidil foam that is approved for marketing in Mainland China, which significantly improves its market competitiveness.

In Mainland China, the current penetration rate of Mandi is only approximately 3%–4% 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 aggrandize the market potential of Mandi.

Remitch

As announced on 5 July 2023, the NDA of nalfuraphine hydrochloride orally disintegrating tablets (Group R&D code: TRK-820, marketed in Japan as "Remitch" since 2009, to be marketed in Mainland China as 麗美治®) was approved by the NMPA to treat hemodialysis pruritus where current treatments do not produce satisfactory results. In December 2017, Toray Industries Inc. ("**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 CLD 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 marketed drug in Mainland China targeting hemodialysis pruritus, 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 phase III clinical trial application of TRK-820 for improving pruritus in CLD patients (only in cases where the existing treatment efficacy is unsatisfactory) was approved in May 2023. In the field of liver diseases, CLD 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 CLD 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 national epidemiological data in Global Liver Disease Burdens and Research Trends: Analysis from a Chinese Perspective[8], 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. According to Journal of Japanese Society of Gastroenterology[9], existing anti-pruritics drugs are ineffective for 57.8% of Japanese pruritus patients. Remitch was approved in Japan for pruritus in liver diseases in 2015. The Group will actively advance clinical development for this indication in Mainland China to meet the clinical needs of Chinese patients.

TRK-820 for improving pruritus in CLD patients as a product candidate is in development. For risks associated with drug development, please refer to, under the heading "Principal Risks and Uncertainties" in the Company's 2022 Annual Report, "If the Group fails to develop and commercialize new pharmaceutical products, its business prospects could be adversely affected".

— ***CDMO Business***

The Group's CDMO business currently comprises 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 compliant with relevant Chinese, EU and U.S. Good Manufacturing Practice ("**GMP**") regulations. The 76,000-liter Drug Substance ("**DS**") and Drug Product ("**DP**") manufacturing capacity has commenced to be successively certified since 2023.

8 Journal of Hepatology, 2019, 71(1): 212-221

9 Journal of Japanese Society of Gastroenterology vol. 118, no. 1 (2021): 30-40

The Group's CDMO business 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 proprietarily developed affinity resin has completed DMF filing and trademark registration, further leveraging the Group's scale and cost advantages. 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 in-house capability to manufacture raw materials such as culture medium and chromatographic filler; and the quality control management advantage with high level of automation. In 2023, the Group's CDMO business revenue amounted to approximately RMB174 million, with signed orders valuing approximately RMB200 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 Candidate

Winlevi®

In December 2023, new drug bridging clinical trial of 1% clascoterone cream (Group R&D code: WS204), a collaboration product between 3SBio and Cosmo Pharmaceuticals N.V. ("**Cosmo**"), was approved by the NMPA. 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 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 July 2023, there were more than 15,000 prescribers of Winlevi®, and this drug has generated more than 670,000 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 in development. For risks associated with drug development, please refer to, under the heading "Principal Risks and Uncertainties" in the Company's 2022 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 large 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 well 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 SSS06 (NuPIAO, a second-generation rhEPO to treat anemia), 608 (an anti-IL-17A antibody to treat autoimmune and other inflammatory diseases), CS1003 (an anti-PD-1 antibody for the first-line treatment of advanced hepatocellular carcinoma), 601A (an anti-vascular endothelial growth factor ("**VEGF**") antibody to treat branch retinal vein occlusion ("**BRVO**") and other ophthalmological diseases), 613 (an IL-1ß antibody to treat acute/intermittent gouty arthritis), RD-01 (a pegylated long-acting rhEPO to treat anemia), 611 (an anti-IL4R α antibody to treat atopic dermatitis), 610 (an anti-IL-5 antibody to treat severe asthma), SSS07 (an anti-TNF α antibody to treat RA and other inflammatory diseases), and pegsiticase (a modified pegylated recombinant uricase from candida utilis to treat refractory gout). On the small molecule side, the Group is conducting clinical trials of HIF-117 capsule (SSS17, a selective small molecule inhibitor to hypoxia inducible factor ("**HIF**") proline hydroxylase) to treat anemia, and bridging clinical trial 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 more than 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 2023, amongst the 29 product candidates within the Group's active pipeline, 25 were being developed as innovative drugs in Mainland China. Out of these product candidates, 15 are antibodies, 7 are other biologic products, and 7 are small molecule entities. The Group has 13 product candidates in hematology/oncology; 11 product candidates that target auto-immune diseases including RA and other diseases including refractory gout and ophthalmological diseases such as BRVO; 4 product candidates in nephrology; and 1 product candidate in dermatology.

Notes:

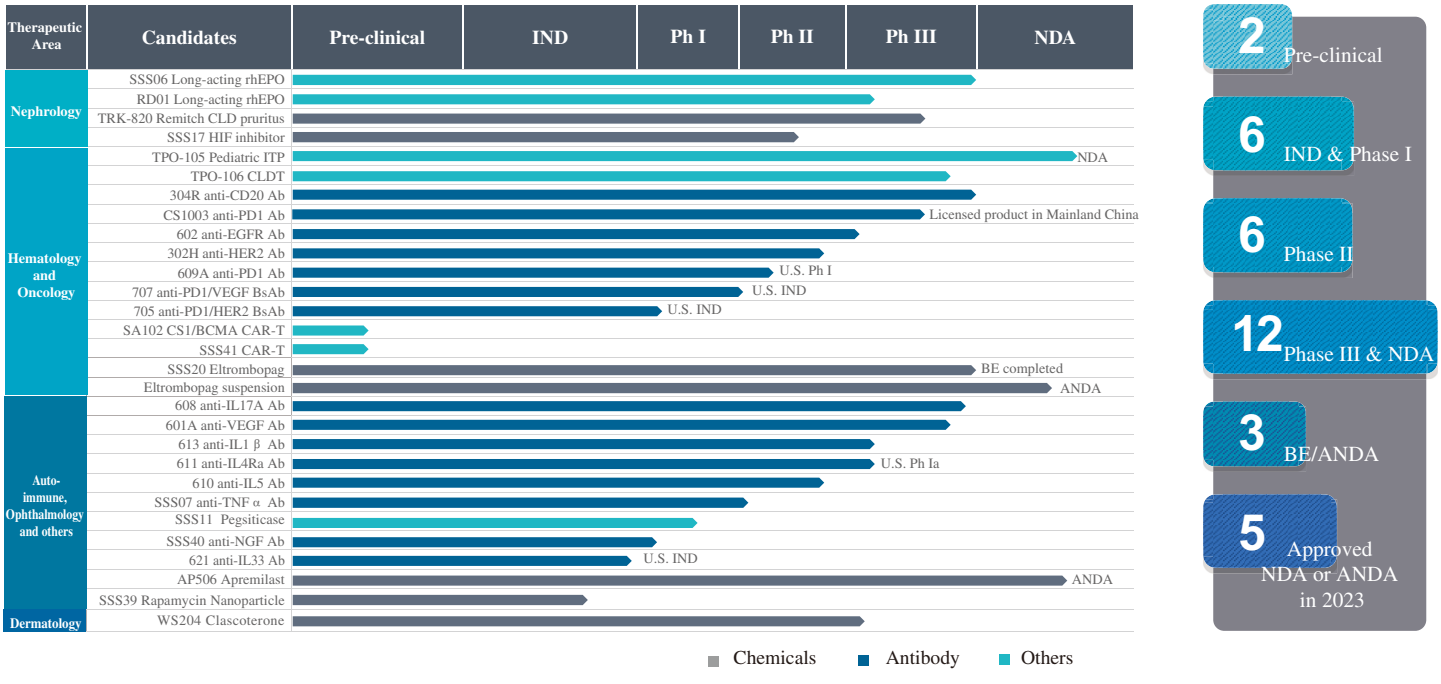
(1) Each arrow bar in the R&D Pipeline chart below indicates the progress in Mainland China, other than those bearing remarks on U.S. progress.

(2) IND: Investigational new drug

(3) BE: Bio-equivalence assessment

(4) ANDA: abbreviated NDA

R&D Pipeline



The Group has fully utilized its thirty years of experience in the research and development of biopharmaceuticals, and has deployed a number of early discovery projects in oncology, ophthalmology and autoimmune fields, covering more than 10 innovative targets, which provide a long-term strategic reserve for the Group's research and development.

Key Product Developments

– *New Drug Application and phase III development*

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 8 January 2024, an NDA submitted to the NMPA has been approved.

Nalfuraphine hydrochloride (TRK820): As announced on 5 July 2023, the NDA of nalfuraphine hydrochloride orally disintegrating tablets submitted to the NMPA by the Group has been approved for the improvement of pruritus in hemodialysis patients (only in cases where the efficacy of existing treatments is not satisfactory). In addition, the phase III clinical trial application for this product to improve pruritus in patients with CLD (only in cases where the efficacy of existing treatments is not satisfactory) was approved in May 2023. The Group expects to submit an NDA within 2024.

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 for this indication to the NMPA in November 2022, which is expected to be approved for marketing in the first half of 2024. As announced on 22 May 2023, the first patient was enrolled in the trial of phase III clinical study of TPIAO in the treatment of patients with CLD related thrombocytopenia who are candidates for invasive surgery. The Group expects to complete the phase III trial and submit the NDA within 2024.

Pegsiticase (SSS11): The Group collaborated with its business partner Swedish Orphan Biovitrum AB (STO: SOBI) ("**Sobi**") in the United States, and completed 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 is conducting a phase Ib clinical trial for SSS11 in patients with high uric acid level and medical history of gout symptoms in Mainland China.

NuPIAO (EPO, SSS06): The Group completed the phase III clinical trial of SSS06 for the treatment of anemia in chronic renal failure in January 2024, which demonstrated that the study reached its pre-set primary endpoint. The Group plans to submit an NDA within 2024.

Anti-IL-17A mAb (608): The phase III trial of 608 in patients with plaque psoriasis has reached the primary endpoints, the BLA (Biologics License Application) filing for this indication is expected to be completed in the fourth quarter of 2024. Meanwhile, the Group has obtained the IND approvals for the phase II clinical trial of the product for treatment of ankylosing spondylitis and radiogenic axial spondylitis in December 2023.

Anti-VEGF mAb (601A): The Group completed the patient enrollment in the phase III clinical trial of 601A for BRVO in November 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 of the product in patients with atopic dermatitis ("**AD**") in Mainland China produced primary endpoint data in August 2023. The first patient in the phase III clinical study of the AD indication has been enrolled in January 2024, and the Group plans to complete patient enrollment in 2024. 611 received IND approval for a phase II clinical trial in children and adolescents AD indication in December 2023. The IND application for phase II clinical trial of 611 for Chronic Rhinosinusitis with Nasal Polyps (CRSwNP) was approved by the NMPA in April 2023 to conduct the phase II clinical trial, and the patient enrollment for phase II trial was completed as of December 2023. The IND application for the phase II clinical trial of 611 for moderate-to-severe Chronic Obstructive Pulmonary Disease ("**COPD**") was approved by the NMPA in September 2023, and the first patient has been enrolled in January 2024.

Anti-IL-1ß Ab (613): The phase II clinical trial of 613 for acute gout arthritis reached the primary endpoint in July 2023 and the first patient was enrolled in the phase III clinical trial in January 2024. The Group plans to complete the patient enrollment in 2024. The product also received IND approval for a phase II clinical trial in the intermittent phase of gouty arthritis in January 2024.

Clascoterone (WS204): The IND application for the phase III bridging clinical trial of WS204 for treatment of moderate-to-severe acne vulgaris was approved by the NMPA in 2023, and the Group plans to conduct the clinical trial in 2024.

– *Phase II development*

Anti-IL5 mAb (610): 610 for the severe eosinophilic asthma indication completed phase Ib 32-week data un-blinding in the first half of 2023. The efficacy data was positive. The patient enrollment of phase II clinical trial was completed in July 2023, and the primary endpoint data of the phase II clinical trial was produced in December 2023.

Inetetamab (302H): The phase II clinical trial of Inetetamab (Cipterbin) for the neoadjuvant treatment of HER2-positive breast cancer has completed the patient enrollment in October 2023.

HIF-117 (SSS17): The safety and efficacy of phase II clinical trials in non-dialysis patients with chronic renal anemia are being explored. 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 (HIF), 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.

– *Phase I development and new IND applications*

Anti-PD-1/VEGF BsAb (707): A dose-escalating phase I clinical trial for the treatment of patients with advanced or metastatic solid tumors has been completed in Mainland China. Dose expansion and indication expansion are underway, and the Group plans to conduct phase II studies for monotherapy and combination therapy in several indications, including non-small cell lung cancer in the first half of 2024. 707 is a PD-1/VEGF targeting bi-specific antibody developed on the Group's CLF^2 BsAb platform, and has been approved by the FDA for phase I clinical trial in advanced solid tumors in the U.S..

Anti-NGF Ab (SSS40): It is a humanized nerve-growth factor (NGF) mAb. In Mainland China, the clinical trial approval notice was issued by the NMPA in January 2023. The first patient dose for phase Ia trial was completed in August 2023. The Group expects the first patient to be enrolled for the phase Ib/IIa clinical trial of SSS40 for the treatment of patients with moderate to severe bone metastasis cancer pain in the first half of 2024.

Anti-IL-33 mAb (621): The IND approval for COPD in the U.S. has been obtained in July 2023. The IND application for COPD indication in Mainland China has been approved in October 2023.

Rapamycin Nanoparticle (SSS39): The application for single drug safety clinical trial of SSS39 was accepted by the NMPA Center for Drug Evaluation in February 2024 and the Group expects that the product will enter the phase I clinical stage in the first half of 2024. Rapamycin nanoparticle is a new type of macrolide immunosuppressant that can be co-administered with biological agents to induce immune tolerance, thereby reducing the immunogenicity of the biological agents and maintaining their efficacy.

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 2023, the Group's extensive sales and distribution network in Mainland China was supported by approximately 2,724 sales and marketing employees, 1,146 distributors and 2,061 third-party promoters. During the Reporting Period, the Group's products were sold in nearly 2,900 Grade III hospitals and nearly 7,300 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. In 2023, the Group's products were sold in 25 countries, including Thailand, Brazil, Philippines and Pakistan.

Outlook

In January 2023, the NRDL (2022 version) was issued officially by the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC. 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. In December 2023, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security published the 2023 NRDL, and the Group's erythropoietin products have been allowed into coverage now for all indications. Under the new medical insurance policy, the Group continues to ensure the good order of production and quality control, be diligent in its social responsibilities, and benefit more patients with high-quality and high-standard medicines. In January 2024, The General Office of the Communist Party of China Central Committee and the General Office of the State Council published the "Implementation Plan for the Pilot Comprehensive Reform of Pudong New Area of Shanghai (2023-2027)" (《浦東新區綜合改革試點實施方案(2023–2027年)》), which allows new biopharmaceutical products to be priced with reference to similar international drugs, thus enhancing the reward prospects of pharmaceutical enterprises' R&D and innovation. In the same month, the PRC NMPA issued the Announcement on Optimizing the Marketing Registration Application for Transferring Overseas-produced Drugs Already Marketed in China to Domestic Production (Draft for Comments)" (《關於優化已在境內上市的境外生產藥品轉移至境內生產的藥品上市註冊申請相關事宜的公告(徵求意見稿)》), proposing measures such as including the application for marketing registration of foreign chemical drugs and biopharmaceuticals that are transferred to domestic production in the scope of priority review and approval. This will bring changes to the market structure of imported drugs and the development of CDMOs.

Looking forward to 2024, the Group will assign importance to the specialization development of the marketing system. The Group will focus on promoting the marketing of newly launched products such as Yisaipu's prefilled syringe, Remitch (nalfuraphine hydrochloride orally disintegrating tablets) and Mandi Foam. With the progress of clinical research and application process, the Group expects that there will be new drugs of the Group entering the commercialization stage every year from 2024 onwards. The Group will actively prepare for the market launch of self-developed or collaborative products such as long-acting rhEPO, eltrombopagan suspension, and 608 (recombinant humanized anti-IL-17A mAb). In the meantime, the Group has always maintained strong confidence in the market potential of domestic hair and skin drugs. The Group will continue to promote the publicity and education of Mandi series products as a scientifically proven drug for hair loss treatment, command digital marketing, expand in new media channels, and enhance Mandi's brand awareness. Leveraging on the Group's profound biopharmaceutical R&D experience and production capacity, the Group will continue to empower numerous domestic biotechnology companies, provide cost-effective CDMO services and accelerate 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.

For R&D strategy, the Group will continue to focus on the fields of its strength, namely, nephrology, autoimmune diseases, hair and skin, hematology, and oncology. In particular, the Group will fast-track, and explore multiple indications of the autoimmune diseases products which the Group has made leading R&D progress in Mainland China. The Group will continually execute its strategy of exploiting synergies between in-house R&D and outside collaboration, and actively exploring collaboration targets with potentials to supplement the Company's existing product portfolio. The Group will conduct comprehensive research and prudent evaluation in investment and merger and acquisition strategies, and proactively acquire high-quality assets with long-term value. At the same time, leveraging mature biopharmaceutical R&D, registration, commercial production and sales strength, the Company provides assistance for the R&D process and future launch of more high-quality cooperative drug products. Driven by the mission to make innovative bio-pharmaceuticals within reach, the Group aims to accelerate 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 RMB7,815.9 million, as compared to approximately RMB6,865.7 million for the year ended 31 December 2022, representing an increase of approximately RMB950.2 million, or approximately 13.8%. 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 RMB4,204.6 million, as compared to approximately RMB3,397.2 million for the year ended 31 December 2022, representing an increase of approximately RMB807.4 million, or approximately 23.8%. The increase was primarily attributable to an increase in sales volume. For the Reporting Period, the sales of TPIAO accounted for approximately 53.8% of the Group's total revenue.

For the Reporting Period, the Group's combined sales of EPIAO and SEPO decreased to approximately RMB940.3 million, as compared to approximately RMB1,129.5 million for the year ended 31 December 2022, representing a decrease of approximately RMB189.2 million, or approximately 16.8%. For the Reporting Period, the Group's sales of EPIAO decreased to approximately RMB725.3 million, as compared to approximately RMB843.2 million for the year ended 31 December 2022, representing a decrease of approximately RMB117.9 million, or approximately 14.0%. For the Reporting Period, the Group's sales of SEPO decreased to approximately RMB215.0 million, as compared to approximately RMB286.2 million for the year ended 31 December 2022, representing a decrease of approximately RMB71.2 million, or approximately 24.9%. For the Reporting Period, the sales of EPIAO and SEPO accounted for a total of approximately 12.0% of the Group's total revenue.

For the Reporting Period, the Group's sales from alopecia area were approximately RMB1,142.3 million, as compared to approximately RMB907.5 million for the year ended 31 December 2022, representing an increase of approximately RMB234.8 million, or approximately 25.9%. The increase was mainly attributable to the increased market demand for hair loss and growth treatments, which was driven by the Group's diversified and effective promotional efforts. For the Reporting Period, the Group's sales of Mandi increased to approximately RMB1,124.1 million, as compared to approximately RMB893.7 million for the year ended 31 December 2022, representing an increase of approximately RMB230.4 million, or approximately 25.8%. For the Reporting Period, the sales from alopecia area accounted for approximately 14.6% of the Group's total revenue.

For the Reporting Period, the Group's sales of Yisaipu increased to approximately RMB565.3 million, as compared to approximately RMB511.6 million for the year ended 31 December 2022, representing an increase of approximately RMB53.7 million, or approximately 10.5%. The increase was mainly attributable to the increased sales volume. For the Reporting Period, the sales of Yisaipu accounted for approximately 7.2% of the Group's total revenue.

For the Reporting Period, the Group's revenue from CDMO business increased to approximately RMB174.0 million, as compared to approximately RMB165.9 million for the year ended 31 December 2022, representing an increase of approximately RMB8.1 million, or approximately 4.9%. 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 RMB827.7 million, as compared to approximately RMB790.3 million for the year ended 31 December 2022, representing an increase of approximately RMB37.4 million, or approximately 4.7%. The increase was mainly attributable to the increased sales of Cipterbin, which was partially offset by the decreased sales of other products. For the Reporting Period, the Group's sales of Cipterbin increased to approximately RMB226.0 million, as compared to approximately RMB159.4 million for the year ended 31 December 2022, representing an increase of approximately RMB66.6 million, or approximately 41.8%.

Cost of Sales

The Group's cost of sales decreased from approximately RMB1,194.2 million for the year ended 31 December 2022 to approximately RMB1,174.3 million for the Reporting Period, which accounted for approximately 15.0% of the Group's total revenue for the same period. The decrease in the Group's cost of sales was due to the decreased production cost which was brought by improvement of productive technology and the decreased product volumes with lower gross profit, as compared to the corresponding period in 2022.

Gross Profit

For the Reporting Period, the Group's gross profit increased to approximately RMB6,641.6 million, as compared to approximately RMB5,671.6 million for the year ended 31 December 2022, representing an increase of approximately RMB970.0 million, or approximately 17.1%. 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 increased to approximately 85.0% for the year ended 31 December 2023 from approximately 82.6% for the corresponding period in 2022.

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 decreased to approximately RMB305.1 million, as compared to approximately RMB749.9 million for the year ended 31 December 2022, representing a decrease of approximately RMB444.8 million, or approximately 59.3%. The decrease was mainly attributable to the decrease in foreign exchange gain and fair value gains on financial assets in 2023, as compared to 2022.

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 RMB3,006.2 million, as compared to approximately RMB2,580.5 million for the year ended 31 December 2022, representing an increase of approximately RMB425.7 million, or approximately 16.5%. 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 38.5% for the Reporting Period as compared to approximately 37.6% for the year ended 31 December 2022.

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 RMB480.8 million, as compared to approximately RMB393.4 million for the year ended 31 December 2022, representing an increase of approximately RMB87.4 million, or approximately 22.2%. The increase was mainly attributable to the increased professional fees, staff costs, and property expenses which was brought by the newly commissioned factories. The administrative expenses as a percentage of revenue was approximately 6.2% for the Reporting Period, as compared to approximately 5.7% for the corresponding period in 2022.

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 RMB794.8 million, as compared to approximately RMB693.8 million for the year ended 31 December 2022, representing an increase of approximately RMB101.0 million, or approximately 14.6%. The increase was mainly due to the speed-up of the Group's R&D projects. The R&D costs as a percentage of revenue was approximately 10.2% for the Reporting Period, as compared to approximately 10.1% for the corresponding period in 2022.

Other Expenses

The Group's other expenses 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, fair value loss on financial assets, foreign exchange loss, and other miscellaneous expenses. For the Reporting Period, the Group's other expenses amounted to approximately RMB444.3 million, as compared to approximately RMB337.1 million for the year ended 31 December 2022, representing an increase of approximately RMB107.2 million, or approximately 31.8%. The increase was mainly attributable to the increase in the fair value losses on financial assets in 2023.

Finance Costs

For the Reporting Period, the Group's finance costs amounted to approximately RMB212.3 million, as compared to approximately RMB102.7 million for the year ended 31 December 2022, representing an increase of approximately RMB109.6 million, or approximately 106.7%. Excluding the non-cash interest expenses of the 2025 Bonds, the finance costs increased from approximately RMB48.1 million for the year ended 31 December 2022 to approximately RMB188.4 million for the Reporting Period, representing an increase of approximately RMB140.3 million, or approximately 291.7%. The increase was mainly due to the increase in interest-bearing bank borrowings and the Panda Bonds' interest in 2023.

Income Tax Expense

For the Reporting Period, the Group's income tax expense amounted to approximately RMB392.2 million, as compared to approximately RMB370.7 million for the year ended 31 December 2022, representing an increase of approximately RMB21.5 million, or approximately 5.8%. The effective tax rates for the Reporting Period and the corresponding period in 2022 were approximately 19.8% and 16.3%, respectively. The increase in effective tax rate was mainly due to the increased effect of non-deductible expenses and increased withholding tax which was brought by the domestic and foreign transactions in 2023, as compared to 2022.

EBITDA and Net Profit Attributable to Owners of the Parent

The EBITDA for the Reporting Period decreased by approximately RMB226.0 million or approximately 8.6% to approximately RMB2,389.1 million, as compared to approximately RMB2,615.1 million for the year ended 31 December 2022. The EBITDA adjusted for non-operating items is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to the 2025 Bonds; (b) gain on redemption of 2025 Bonds; (c) the expenses associated with awarded shares granted in March 2020; (d) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; (e) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Byetta; (f) gain on deemed disposal of investment in an associate; (g) fair value gains or losses on financial assets at fair value through profit or loss; and (h) non-operating foreign exchange differences. The Group's EBITDA adjusted for non-operating items for the Reporting Period increased by approximately RMB464.6 million or approximately 20.2% to approximately RMB2,768.4 million, as compared to approximately RMB2,303.8 million for the year ended 31 December 2022.

The net profit attributable to owners of the parent for the Reporting Period was approximately RMB1,549.2 million, as compared to approximately RMB1,915.7 million for the year ended 31 December 2022, representing a decrease of approximately RMB366.5 million, or approximately 19.1%. The net profit attributable to owners of the parent adjusted for non-operating items 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) gain on redemption of 2025 Bonds; (c) the expenses associated with awarded shares granted in March 2020; (d) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; (e) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Byetta; (f) gain on deemed disposal of investment in an associate; (g) fair value gains or losses on financial assets at fair value through profit or loss; and (h) non-operating foreign exchange differences. The Group's net profit attributable to owners of the parent adjusted for non-operating items for the Reporting Period was approximately RMB1,952.4 million, as compared to approximately RMB1,659.1 million for the year ended 31 December 2022, representing an increase of approximately RMB293.3 million, or approximately 17.7%.

Earnings Per Share

The basic earnings per share for the Reporting Period was approximately RMB0.64 as compared to approximately RMB0.78 for the year ended 31 December 2022, representing a decrease of approximately 17.9%.

Financial Assets Measured at Fair Value

As at 31 December 2023, 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 certain independent commercial banks.

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 RMB2,082.9 million, as compared to approximately RMB2,134.3 million for the year ended 31 December 2022, representing a decrease of approximately RMB51.4 million or approximately 2.4%. The decrease was mainly attributable to the increase in other cash payments relating to operating activities. As at 31 December 2023, the Group's cash and cash equivalents, non-pledged time deposits and pledged deposits were approximately RMB4,900.3 million.

Net Current Assets

As at 31 December 2023, the Group had net current assets of approximately RMB5,465.1 million, as compared to net current assets of approximately RMB7,906.6 million as at 31 December 2022. The current ratio of the Group was approximately 2.5 as at 31 December 2023, as compared to approximately 5.3 at 31 December 2022. The decrease in net current assets and current ratio was mainly due to the higher current liabilities which were brought by the increased interest-bearing bank borrowings in 2023.

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 2023, the Group had an aggregate interest-bearing bank borrowing of approximately RMB3,574.3 million, as compared to approximately RMB2,315.0 million as at 31 December 2022. The increase in bank borrowings primarily reflected the additional bank loans of approximately RMB1,990.9 million, which was partially offset by repayment of bank loans of approximately RMB803.2 million in 2023. Among the short-term deposits, none was pledged to secure the aforementioned bank loans as at 31 December 2023.

As at 31 December 2023, the Group had the outstanding Panda Bonds of approximately RMB1,226.0 million. For more information on the Group's Panda Bonds, please refer to Note 15 "BONDS PAYABLE" to the Group's draft consolidated financial statements for the Reporting Period in this announcement above.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings, lease liabilities and bonds by the total equity, decreased slightly to approximately 29.3% as at 31 December 2023 from approximately 29.4% as at 31 December 2022.

Charge on Assets

As at 31 December 2023, the Group had charge on assets of approximately RMB1,206.4 million (31 December 2022: RMB1,210.5 million). Additionally, Shenyang Sunshine's 90.34% equity interest in Desen Biologics were pledged as loan security.

Contingent Liabilities

As at 31 December 2023, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB993.6 million as at 31 December 2023, as compared to approximately RMB1,320.5 million as at 31 December 2022.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in Mainland China, with all material aspects of its regular business conducted in RMB other than: (1) the operations of Sirton; and (2) the Group's exports, which amounted to approximately RMB94.7 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 expenditures related to international licensing and acquisitions), foreign currency denominated bank deposits, foreign currency bank loans and the Euro-denominated 2025 Bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 31 December 2023, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD102.7 million (equivalent to approximately RMB727.2 million); (2) approximately HKD89.5 million (equivalent to approximately RMB81.1 million); and (3) approximately EUR5.4 million (equivalent to approximately RMB42.2 million). The Group expects that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operations of the Group in the foreseeable future.

Significant Acquisitions and Disposals

During the Reporting Period, the Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures.

Significant Investments Held

As at 31 December 2023, the Group did not hold any significant investment. As at 31 December 2023, the Group held (i) equity investments designated at fair value through other comprehensive income of approximately RMB521.7 million; and (ii) wealth management products of various independent commercial banks as financial assets at fair value through profit or loss of approximately RMB3,302.6 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 RMB1,000 million to RMB1,200 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 2023, the Group employed a total of 5,411 employees, as compared to a total of 5,213 employees as at 31 December 2022. The staff costs, including Directors' emoluments but excluding any contributions to the pension scheme, were approximately RMB1,271.5 million for the Reporting Period, as compared to approximately RMB1,254.4 million for the corresponding period in 2022. 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 resolved to declare a final dividend of HKD25 cents per share for the year ended 31 December 2023 (2022: HKD10 cents) to those shareholders whose names appeared on the register of members of the Company on Friday, 26 July 2024, which will be paid out of the Company's share premium account. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting ("**AGM**"), the final dividend will be paid in cash on or around Monday, 5 August 2024.

CLOSURE OF REGISTER OF SHAREHOLDERS

The AGM is scheduled to be held on Tuesday, 25 June 2024. For determining the entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from Thursday, 20 June 2024 to Tuesday, 25 June 2024, 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, 19 June 2024.

For determining the entitlement to the final dividend, the register of shareholders of the Company will be closed from Wednesday, 24 July 2024 to Friday, 26 July 2024, 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 Tuesday, 23 July 2024.

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 C1 to the Rules (the "**HKEx Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKEx**") as its own code of corporate governance.

Except as expressly described below, the Company has complied with all applicable code provisions set out in the CG Code during the 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 the 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. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees and independent non-executive Directors.

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 C3 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.

Redemption and Delisting of 2025 Bonds

Pursuant to the terms and conditions of the 2025 Bonds, the holder(s) of the 2025 Bonds have the right to require Strategic International Group Limited, a direct wholly-owned subsidiary of the Company, as the issuer (the "**Issuer**"), to redeem all or some of the 2025 Bonds of such holder on 29 June 2023. Certain holders exercised such right in respect of EUR287,600,000 in aggregate principal amount of the 2025 Bonds (the "**Put Bonds**"). The redemption of the Put Bonds was completed and all payments had been made to the exercising holders on 29 June 2023 pursuant to the terms and conditions of the 2025 Bonds. The redeemed Put Bonds had been cancelled. The remaining outstanding 2025 Bonds amounted to a principal amount of EUR1,400,000 (the "**Remaining Bonds**").

On 26 July 2023, the Issuer served a notice to exercise its right to redeem the Remaining Bonds on 28 August 2023 pursuant to the terms and conditions of the 2025 Bonds. On 29 August 2023, all 2025 Bonds had been fully redeemed and no 2025 Bonds were outstanding. The 2025 Bonds were delisted from the HKEx on 5 September 2023.

For details, please refer to the Company's announcements dated 29 June 2023, 17 July 2023, 26 July 2023 and 29 August 2023.

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 2023 ANNUAL REPORT ON THE WEBSITES OF THE HKEX AND THE COMPANY

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

The Company's 2023 annual report containing all the information required under the HKEx Listing Rules will be published on the respective websites of the HKEx and the Company and will be despatched to the requesting shareholders of the Company in due course.

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

Hong Kong SAR, PRC
20 March 2024

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.