3SBIO INC.
三生制药
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1530)

DISCLOSEABLE TRANSACTION

EXCLUSIVE LICENSE AGREEMENT WITH ASTRAZENECA IN RESPECT OF BYETTA AND BYDUREON

THE EXCLUSIVE LICENSE AGREEMENT

On 11 October 2016, Hongkong Sansheng, a wholly-owned subsidiary of the Company, as the Licensee, entered into the Exclusive License Agreement with AstraZeneca, as the licensor. Pursuant to such agreement, AstraZeneca has agreed to grant an exclusive license to Hongkong Sansheng for the Commercialization of the Licensed Products in the PRC, and in consideration of which, Hongkong Sansheng has agreed to pay an Upfront Payment of US$50,000,000 and Milestone Payments of a maximum of US$50,000,000 to AstraZeneca. In addition, the parties have agreed that AstraZeneca will supply the Licensed Products and the Licensee will pay AstraZeneca the pre-agreed purchase price of the Licensed Products in accordance with the terms of the Exclusive License Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the transaction contemplated under the Exclusive License Agreement as calculated under Rule 14.07 of the Listing Rules, exceeds 5% but is less than 25%, the transaction under such agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE EXCLUSIVE LICENSE AGREEMENT

Date

11 October 2016

Parties

Licensor: AstraZeneca

Licensee: Hongkong Sansheng, a wholly-owned subsidiary of the Company

The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge, information and belief, AstraZeneca and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Term

An initial term shall commence on the Effective Date and, unless terminated earlier in accordance with the terms of the Exclusive License Agreement, shall continue to be in force and effect until 31 December of the calendar year in which the twentieth anniversary of the Effective Date occurs.

Upon expiration of the initial term (or the renewed term, if any) and subject to certain conditions in accordance with the terms of the Exclusive License Agreement, the Exclusive License Agreement shall be automatically renewed for another five years.

Licensed Products

Under the Exclusive License Agreement, Hongkong Sansheng as the Licensee has an exclusive right to Commercialize the Licensed Products in the PRC. AstraZeneca retains the full rights to the Licensed Products outside China. AstraZeneca also retains certain rights other than the Commercialization rights to the Licensed Products in China.

License Fee

The Company has agreed to pay an Upfront Payment of US$50,000,000 and Milestone Payments of a maximum of US$50,000,000 to AstraZeneca according to the following schedule:

Upfront Payment

In partial consideration of the rights granted by AstraZeneca to the Licensee, the Licensee shall pay to AstraZeneca a non-refundable and non-creditable upfront amount equal to US$50,000,000 (the "**Upfront Payment**") no later than the fifth Business Day after the Effective Date.

Milestone Payments

In partial consideration of the rights granted by AstraZeneca to the Licensee, the Licensee shall make the following payments to AstraZeneca after the achievement of each of the following milestone events, which, subject to explicit adjustment mechanism provided below, shall be non-refundable, non-creditable and fully earned upon the achievement of the applicable milestone event:

(i) within five Business Days following AstraZeneca or its affiliate receiving the import drug license for Bydureon single dose tray, US$25,000,000; provided however that such payment will be reduced accordingly if there are delays in the receipt of such import drug license;

(ii) within five Business Days following AstraZeneca or its affiliate receiving the import drug License for Bydureon dual chamber pen, US$25,000,000; provided however that such payment will be reduced accordingly if there are delays in the receipt of such import drug license.

Under the Exclusive License Agreement, the parties have agreed to meet certain pre-agreed annual purchase and sales targets in relation to the purchase and sales of the Licensed Products in the PRC for an agreed period of time. If the Licensee does not meet such purchase or sales targets (as applicable) for Bydureon, AstraZeneca has the right to terminate the Exclusive License Agreement. In addition, the parties have agreed that AstraZeneca will supply the Licensed Products and the Licensee will pay AstraZeneca the pre-agreed purchase price of the Licensed Products in accordance with the terms of the Exclusive License Agreement.

Basis of the License Fee

The license fee was determined after arms' length negotiations between the Company and AstraZeneca with reference to various factors, including but not limited to the historical sales of the Licensed Products, the expected future prospects of the development of the Licensed Products in the PRC, and the reasons for and benefits of the transactions contemplated under the Exclusive License Agreement.

Sales and Marketing Workforce

As part of the efforts to Commercialize the Licensed Products in the PRC, the Licensee has agreed that it or its affiliates will offer employment to certain sales and marketing employees who are currently working for AstraZeneca's affiliates on the sales of the Licensed Products in the PRC for them to join the Group in Commercializing the Licensed Products in the PRC on an exclusive basis.

Guarantee

In connection with the Exclusive License Agreement, the Company, as the guarantor, entered into a deed of guarantee dated 11 October 2016 with Amylin, pursuant to which the Company has agreed to guarantee the obligations of the Licensee under the Exclusive License Agreement and the other transaction documents that may be entered into pursuant to the Exclusive License Agreement.

INFORMATION ON THE COMPANY

The Company is a leading biotechnology company in the PRC founded in 1993. As a pioneer in the PRC biotechnology industry, the Company has extensive expertise in developing, manufacturing and commercializing biopharmaceuticals. Three core products, TPIAO, Yisaipu and EPIAO are market leaders in the PRC. TPIAO is the only commercialized recombinant human thrombopoietin (rhTPO) product in the world. Yisaipu, a TNF α inhibitor product for the treatment of rheumatoid arthritis is the industry leader with a market share in excess of 60%, according to IMS Health Inc. data. EPIAO, a recombinant human erythropoietin (rhEPO) product, together with the other rhEPO product acquired in December 2014, SEPO, is the dominant market leader in the rhEPO market, according to IMS Health Inc. data. The Company is focused on building an innovative product pipeline, with 16 National Class 1 candidates under development. The Company maintains manufacturing facilities in Shenyang, Shanghai, Hangzhou and Shenzhen, as well as in Como, Italy, with a total of over 3,000 employees. A state-of-the-art mammalian biological manufacturing facility in Shenyang is the first and only rhEPO facility in the PRC that conforms to both Chinese and European pharmacopeia standards. Sunshine Guojian Pharmaceutical (Shanghai) Co. Ltd., a subsidiary of the Group, is a leading company in the PRC's antibody sector that develops and commercializes new biologic therapies targeting cancer and autoimmune diseases. The antibody manufacturing capacity of Sunshine Guojian Pharmaceutical (Shanghai) Co. Ltd. is among the largest in the industry in the PRC. Zhejiang Wansheng Pharmaceutical Co., Ltd., a subsidiary of the Group, specializes in research and development, manufacturing and commercialization of chemically synthesized pharmaceuticals. The Company's pharmaceutical products are marketed and sold in all provinces, autonomous regions and special municipalities in the PRC, as well as a number of foreign countries and regions. The Company's nationwide sales and distribution network covers over 6,000 hospitals and medical institutions in the PRC. The Company is also actively pursuing international expansion through acquisition, licensing and partnerships.

INFORMATION ON THE ASTRAZENECA GROUP

The AstraZeneca Group is a global, science-led biopharmaceutical company that focuses on the discovery, development and commercialization of prescription medicines, primarily for the treatment of diseases in three therapy areas — respiratory, cardiovascular and metabolic diseases, and oncology. The AstraZeneca Group is also selectively active in neuroscience and autoimmunity. The AstraZeneca Group operates in over 100 countries and its innovative medicines are used by millions of patients worldwide. For more information please visit: www.astrazeneca.com.

INFORMATION ON THE LICENSED PRODUCTS

The Licensed Products are Byetta, Bydureon single dose tray, Bydureon dual chamber pen and Bydureon auto-injector, the details of which are set forth in the Exclusive License Agreement.

Byetta (generic name "**exenatide injection**") is an injectable Glucagon-Like Peptide-1 receptor agonist (GLP-1 RA), administered twice daily as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus, which is indicated for treatment of patients who have not achieved adequate glycaemic control on metformin, sulphonylureas, or metformin plus sulphonylureas. Byetta was co-developed by AstraZeneca and Eli Lilly and Company in 1995 and was approved by the Food and Drug Administration in the US in April 2005. It was approved

in Europe and other countries subsequent to its approval in the US and was approved by the China Food and Drug Administration in August 2009.

Bydureon is an extended-release formulation of exenatide, administered once weekly as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus, which is indicated for treatment of patients who have not achieved adequate glycaemic control on metformin, sulphonylureas, thiazolidines, metformin plus sulphonylureas or thiazolidines, or sulphonylureas plus thiazolidines. Bydureon has been shown to provide powerful HbA1c reduction of 1.3~1.9%. Bydureon was approved by the Food and Drug Administration in the US in 2012. Bydureon is currently available in 42 countries worldwide, including European Union countries. AstraZeneca submitted manufacturing application for Bydureon in China in May 2016.

Diabetes is a chronic disease that occurs when the body cannot produce enough insulin or cannot use insulin, and is diagnosed by observing raised levels of glucose in the blood. Diabetes is one of the non-infectious diseases which severely threaten human health in recent days. According to International Diabetes Federation, the number of diabetes patients globally reached 415 million in 2015, among which 75% of the patients are from low and middle income countries. The number of diabetes patients globally is estimated to reach 642 million in 2040. According to Chinese Diabetes Society, the incidence rate of diabetes in China has risen significantly in the recent 30 years.

According to World Health Organization, almost 10% of adults in China (which accounts for approximately 110 million people) currently live with diabetes, and China is becoming the country with the largest number of diabetes patients in the world.

Based on information provided by AstraZeneca, the total revenues attributable to the Licensed Products in China were approximately US$11.3 million and US$14.6 million for the year ended 31 December 2014 and for the year ended 31 December 2015, respectively.

REASONS FOR AND BENEFITS OF THE EXCLUSIVE LICENSE AGREEMENT

The Board considers that the Licensee's strategic collaboration with AstraZeneca will enable the Group to strongly expand its product lines and penetrate into the field of diabetes, a major chronic disease. Through the collaboration, the Group will not only be granted the right to Commercialize relevant specialized products, but also able to set up a professional sales and marketing team focusing on the field of diabetes. The Board believes that by leveraging on the Group's visionary management team and their extensive management experience in sales and marketing, the collaboration will create continuous growth for the revenue and profit of the Group in the future.

In addition, the strategic collaboration with AstraZeneca, a leading multinational company, will lay a foundation for the Group to launch further strategic collaborations with pharmaceutical companies of this kind in the future, which is in line with the mid-to-long term strategic plans of the Group.

After due and careful consideration of the above factors, the Directors (including the independent non-executive Directors) consider that the Exclusive License Agreement has been entered into on normal commercial terms and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the transaction contemplated under the Exclusive License Agreement as calculated under Rule 14.07 of the Listing Rules, exceeds 5% but is less than 25%, the transaction under such agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Amylin"	Amylin Pharmaceuticals, LLC, a Delaware limited liability company, is a wholly-owned subsidiary of AstraZeneca PLC. AstraZeneca PLC is a public company incorporated in England and Wales with limited liability, the shares of which are listed on the London Stock Exchange, New York Stock Exchange and Stockholm Stock Exchange
"AstraZeneca"	Amylin and, solely for purposes of certain clauses under the Exclusive License Agreement, together with AZPLP
"AstraZeneca Group"	AstraZeneca PLC and its subsidiaries
"AZPLP"	AstraZeneca Pharmaceuticals LP, a Delaware limited partnership, is a wholly-owned subsidiary of AstraZeneca PLC
"Board"	the board of Directors of the Company
"Business Day"	a day other than a Saturday or Sunday or a day on which banking institutions in London, Hong Kong or Shanghai are permitted or required to be closed
"Commercialization"	any and all activities directed to the preparation for sale of, offering for sale of and selling of the Licensed Products, including activities related to marketing, promoting, distributing, importing, collecting payment and booking sales for such Licensed Products and interacting with any applicable regulatory authorities in the PRC regarding any of the foregoing. When used as a verb, "to Commercialize" or "Commercializing" means to engage in Commercialization and "Commercialized" has a corresponding meaning
"Company"	3SBio Inc. 三生製藥, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

"Director(s)"	the director(s) of the Company
"Effective Date"	11 October 2016
"Exclusive License Agreement"	the license agreement dated 11 October 2016 entered into between Hongkong Sansheng and AstraZeneca in relation to the Licensed Products
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hongkong Sansheng"	Hongkong Sansheng Medical Limited (香港三生醫藥有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
"Licensed Products"	Byetta, Bydureon single dose tray, Bydureon dual chamber pen and Bydureon auto-injector, the details of which are set forth in the Exclusive License Agreement and a general description of which is set forth in the section headed "Information on the Licensed Products" in this announcement
"Licensee"	Hongkong Sansheng
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Milestone Payments"	the payments that are payable by Hongkong Sansheng as the Licensee to AstraZeneca as the licensor upon achievement of certain specified milestones set forth in the section headed "Milestone Payments" in this announcement
"PRC" or "China"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Shareholder(s)"	the holder(s) of the Shares of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.00001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"US"	the United States of America
"US$"	United States Dollar, the lawful currency of the United States of America

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

Hong Kong, 11 October 2016

As at the date of this announcement, the Board comprises Mr. LOU Jing, Mr. TAN Bo, Ms. SU Dongmei and Mr. HUANG Bin as executive Directors; Mr. LIU Dong and Mr. LV Dong as non-executive Directors; and Mr. PU Tianruo, Mr. David Ross PARKINSON and Mr. MA Jun as independent non-executive Directors.