三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1530)
(Convertible Bonds Code: 40285)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS*

- Revenue increased by RMB412.0 million or 15.3% to RMB3,107.1 million, as compared to the six months ended 30 June 2020.
- Gross profit increased by RMB370.1 million or 16.7% to RMB2,587.1 million, as compared to the six months ended 30 June 2020. The gross profit margin increased to 83.3% from 82.3% for the six months ended 30 June 2020.
- Research and development costs increased by RMB90.5 million or 35.6% to RMB344.9 million, accounting for 11.1% of revenue.
- Net profit attributable to owners of the parent increased by RMB196.4 million or 28.0% to RMB898.9 million, as compared to the six months ended 30 June 2020. Normalized net profit attributable to owners of the parent[1] increased by RMB180.8 million or 24.1% to RMB929.8 million, as compared to the six months ended 30 June 2020.
- EBITDA increased by RMB174.5 million or 17.4% to RMB1,177.4 million, as compared to the six months ended 30 June 2020. Normalized EBITDA[2] increased by RMB128.2 million or 12.2% to RMB1,177.6 million, as compared to the six months ended 30 June 2020.
- Total comprehensive income increased by RMB73.0 million or 7.8% to RMB1,014.4 million, as compared to the six months ended 30 June 2020.

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

Notes:

1 The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the Euro-denominated zero-coupon convertible bonds ("**Bonds**") in an aggregate principal amount of EUR300,000,000 due 2022 (the "**2022 Bonds**") and the Bonds in an aggregate principal amount of EUR320,000,000 due 2025 (the "**2025 Bonds**"); (b) the expenses associated with the share options and awarded shares granted in February 2017 and March 2020; (c) the expenses associated with the share options under an employee share ownership plan (the "**ESOP**") of Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. ("**Sunshine Guojian**"), an indirect non-wholly owned subsidiary of 3SBio Inc. ("**3SBio**" or the "**Company**"); and (d) gain on deemed disposal of investment in associates.

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

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of 3SBio is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	**2021 (Unaudited) *RMB'000***	2020 (Unaudited) *RMB'000*
REVENUE	*4*	**3,107,135**	2,695,177
Cost of sales		**(519,991)**	(478,097)
Gross profit		**2,587,144**	2,217,080
Other income and gains	*5*	**159,186**	96,756
Selling and distribution expenses		**(1,152,026)**	(972,266)
Administrative expenses		**(167,382)**	(148,788)
Research and development costs		**(344,851)**	(254,348)
Other expenses	*6*	**(7,539)**	(58,279)
Finance costs	*7*	**(32,333)**	(43,624)
Share of profits and losses of:			
A joint venture		**(1,278)**	138
Associates		**(15,068)**	(18,093)
PROFIT BEFORE TAX	*6*	**1,025,853**	818,576
Income tax expense	*8*	**(134,828)**	(132,829)
PROFIT FOR THE PERIOD		**891,025**	685,747
Attributable to:			
Owners of the parent		**898,908**	702,482
Non-controlling interests		**(7,883)**	(16,735)
		891,025	685,747
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	*10*	**RMB0.35**	RMB0.28
— Diluted	*10*	**RMB0.34**	RMB0.27

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 (Unaudited) *RMB'000*	2020 (Unaudited) *RMB'000*
PROFIT FOR THE PERIOD	**891,025**	685,747
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(16,347)**	40,214
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(16,347)**	40,214
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**140,041**	219,591
Income tax effect	**(344)**	(4,197)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**139,697**	215,394
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**123,350**	255,608
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,014,375**	941,355
Attributable to:		
Owners of the parent	**1,022,258**	958,090
Non-controlling interests	**(7,883)**	(16,735)
	1,014,375	941,355

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**3,042,384**	2,621,379
Right-of-use assets		**393,603**	358,013
Goodwill		**3,886,331**	3,918,921
Other intangible assets		**1,851,258**	1,898,478
Investment in a joint venture		**5,667**	6,945
Investments in associates		**748,608**	749,722
Equity investments designated at fair value through other comprehensive income		**674,347**	897,717
Long-term receivables		**—**	2,200
Prepayments, other receivables and other assets		**308,859**	325,628
Deferred tax assets		**228,490**	219,282
Total non-current assets		**11,139,547**	10,998,285
CURRENT ASSETS			
Inventories		**681,498**	619,508
Trade and notes receivables	*12*	**1,224,097**	982,965
Prepayments, other receivables and other assets		**582,659**	587,917
Financial assets at fair value through profit or loss		**1,881,897**	1,272,862
Pledged deposits	*13*	**111,864**	125,823
Cash and cash equivalents	*13*	**2,919,683**	3,090,835
Total current assets		**7,401,698**	6,679,910
CURRENT LIABILITIES			
Trade and bills payables	*14*	**214,946**	203,286
Other payables and accruals		**842,350**	786,746
Deferred income		**34,155**	36,113
Interest-bearing bank and other borrowings	*15*	**150,133**	360,151
Lease liabilities		**9,293**	7,007
Tax payable		**84,089**	57,618
Total current liabilities		**1,334,966**	1,450,921
NET CURRENT ASSETS		**6,066,732**	5,228,989
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,206,279**	16,227,274

	Notes	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*15*	**64,626**	53,315
Lease liabilities		**33,601**	32,219
Convertible bonds		**2,387,750**	2,461,427
Deferred income		**319,403**	308,460
Deferred tax liabilities		**266,194**	272,242
Other non-current liabilities		**6,052**	6,276
Total non-current liabilities		**3,077,626**	3,133,939
Net assets		**14,128,653**	13,093,335
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**156**	155
Share premium		**4,341,223**	4,297,946
Other reserves		**7,391,136**	6,391,213
		11,732,515	10,689,314
Non-controlling interests		**2,396,138**	2,404,021
Total equity		**14,128,653**	13,093,335

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2021, the Company and its subsidiaries were principally engaged in the development, production, marketing and sale of biopharmaceutical products in the mainland area ("**Mainland China**") of the People's Republic of China (the "**PRC**").

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In March 2021, the International Accounting Standards Board issued another amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the "**2021 Amendment**"). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

During the six months ended 30 June 2021, no leases of the Group have been reduced or waived by the lessors as a result of the covid-19 pandemic. The amendment did not have any impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**3,053,540**	2,623,503
Others	**53,595**	71,674
	3,107,135	2,695,177

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

(b) Non-current assets

	30 June	31 December
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**8,198,512**	7,822,314
Others	**2,038,198**	2,056,772
	10,236,710	9,879,086

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

Information about major customers

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of biopharmaceuticals	**3,067,085**	2,658,574
Contract development and manufacturing operation business	**40,050**	36,603
	3,107,135	2,695,177

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of biopharmaceuticals	**3,067,085**	2,658,574
Contract development and manufacturing operation business	**40,050**	36,603
Total revenue from contracts with customers	**3,107,135**	2,695,177
Geographical markets		
Mainland China	**3,053,540**	2,623,503
Others	**53,595**	71,674
Total revenue from contracts with customers	**3,107,135**	2,695,177
Timing of revenue recognition		
Goods transferred at a point in time	**3,100,627**	2,694,353
Services transferred over time	**6,508**	824
Total revenue from contracts with customers	**3,107,135**	2,695,177

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income	**46,078**	36,795
Dividend income from an equity investment at fair value through other comprehensive income	**4,016**	—
Government grants related to		
— Assets	**14,522**	15,805
— Income	**7,457**	26,555
Others	**13,062**	9,719
	85,135	88,874
Gains		
Foreign exchange differences, net	**57,441**	4,792
Gain on deemed disposal of an associate	**16,610**	625
Gain on repurchase of convertible bonds	**—**	2,465
	74,051	7,882
	159,186	96,756

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**514,736**	477,423
Cost of service provided	**5,255**	674
Depreciation of items of property, plant and equipment	**89,147**	92,664
Amortisation of other intangible assets	**59,811**	74,305
Depreciation of right-of-use assets	**10,763**	7,556
Amortisation of long-term deferred expenses	**5,611**	2,976
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**522,428**	501,881
Equity-settled compensation expenses	**16,810**	10,253
Pension scheme contributions	**37,746**	15,396
Social welfare and other costs	**56,249**	42,984
	633,233	570,514
Other expenses and losses:		
Donation	**8,739**	46,313
Loss on disposal of items of property, plant and equipment	**524**	2,452
(Reversal of provision)/provision for impairment of long-term receivables	**(2,800)**	3,459
Provision for impairment of trade receivables	**4,010**	3,389
(Reversal of provision)/provision for impairment of other receivables	**(5,816)**	1,352
Others	**2,882**	1,314
	7,539	58,279

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**565**	7,059
Interest on convertible bonds	**30,683**	36,289
Interest on lease liabilities	**1,085**	276
	32,333	43,624

8. INCOME TAX

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

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

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2021 as the Group had no assessable profits arising in Hong Kong.

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

Shenyang Sunshine, Sunshine Guojian, NERC, Sciprogen and Zhejiang Wansheng, which are qualified as High and New Technology Enterprises, were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2021.

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

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current	**150,428**	154,279
Deferred	**(15,600)**	(21,450)
Total tax charge for the period	**134,828**	132,829

9. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Proposed and declared dividend	**—**	—

No dividends were declared or paid by the Company during the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the six months ended 30 June 2021 attributable to ordinary equity holders of the parent of RMB898,908,000 (for the six months ended 30 June 2020: RMB702,482,000) and the weighted average of 2,545,337,013 (for the six months ended 30 June 2020: 2,538,953,324) ordinary shares of the Company in issue during the reporting period, as adjusted to reflect the issue of ordinary shares during the reporting period.

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

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**898,908**	702,482
Interest on convertible bonds	**30,683**	36,289
Gain on repurchase of convertible bonds	**—**	(2,465)
Profit attributable to ordinary equity holders of the parent before interest and gain on convertible bonds	**929,591**	736,306

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period used in the basic earnings per share calculation	**2,545,337,013**	2,538,953,324
Effect of dilution — weighted average number of ordinary shares:		
Share options	**818,823**	4,375,294
Awarded shares	**8,305,556**	—
Convertible bonds	**212,035,522**	188,083,823
	2,766,496,914	2,731,412,441

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount at 1 January	**2,621,379**	1,988,793
Additions	**515,550**	819,359
Depreciation provided during the period/year	**(89,147)**	(185,524)
Disposals	**(690)**	(3,647)
Exchange realignment	**(4,708)**	2,398
Carrying amount at 30 June/31 December	**3,042,384**	2,621,379

A freehold land with a carrying amount of approximately RMB3,914,000 as at 30 June 2021 (31 December 2020: RMB4,087,000) is located in Italy.

The Group is in the process of applying for the title certificates of certain of its buildings with an aggregate book value of approximately RMB11,354,000 as at 30 June 2021 (31 December 2020: RMB11,276,000). The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2021.

As at 30 June 2021, certain of the Group's land and buildings, which had an aggregate carrying amount of approximately RMB2,687,000 (31 December 2020: RMB2,806,000) and RMB12,345,000 (31 December 2020: RMB13,583,000) respectively, were pledged to secure general banking facilities granted to the Group (note 15).

12. TRADE AND NOTES RECEIVABLES

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,209,873**	912,431
Notes receivables	**70,658**	122,964
	1,280,531	1,035,395
Provision for impairment of trade receivables	**(56,434)**	(52,430)
	1,224,097	982,965

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:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**1,162,318**	865,350
1 to 2 years	**6,691**	8,214
Over 2 years	**40,864**	38,867
	1,209,873	912,431

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and bank balances	**2,918,975**	3,090,128
Restricted cash	**708**	707
Pledged deposits	**111,864**	125,823
	3,031,547	3,216,658
Less:		
Pledged deposits	**(111,864)**	(125,823)
Cash and cash equivalents	**2,919,683**	3,090,835

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

The Group's cash and cash equivalents and deposits as at 30 June 2021 are denominated in the following currencies:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Denominated in:		
— RMB	**2,457,737**	2,738,328
— Hong Kong Dollar ("**HKD**")	**76,210**	18,083
— United States Dollar ("**USD**")	**285,281**	227,954
— Euro ("**EUR**")	**212,317**	232,291
— Great Britain Pound	**2**	2
	3,031,547	3,216,658

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 RMB111,864,000 (31 December 2020: RMB125,823,000) have been pledged to secure letters of credit and bank acceptance bills as at 30 June 2021.

14. TRADE AND BILLS PAYABLES

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**180,271**	176,735
3 to 6 months	**27,425**	21,093
Over 6 months	**7,250**	5,458
	214,946	203,286

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Bank loans — unsecured	**150,133**	360,151
Non-current		
Bank loans — unsecured	**30,038**	30,042
Bank loans — secured	**34,588**	23,273
Convertible bonds	**2,387,750**	2,461,427
	2,452,376	2,514,742
Total	**2,602,509**	2,874,893

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**150,133**	360,151
In the second year	**—**	—
In the third to fifth years, inclusive	**64,626**	53,315
	214,759	413,466

Notes:

(a) For the six months ended 30 June 2021, the bank borrowings bear interest at fixed interest rates ranging from 2.75% to 4.20% (31 December 2020: 2.75% to 4.20%) per annum.

(b) Certain of the Group's bank borrowings are secured by mortgages over the Group's land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB2,687,000 (31 December 2020: RMB2,806,000) and RMB12,345,000 (31 December 2020: RMB13,583,000), respectively.

(c) As at 30 June 2021, except for secured bank borrowings of RMB34,588,000 (31 December 2020: RMB23,273,000) which were denominated in EUR, all the bank borrowings were denominated in RMB.

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

16. SHARE CAPITAL

Shares	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Issued and fully paid:		
2,549,253,499 (31 December 2020: 2,543,600,999) ordinary shares	**156**	155

A summary of movements in the Company's issued share capital for the six months ended 30 June 2021 is as follows:

	Number of shares in issue	**Share capital** ***RMB'000*** **(Unaudited)**	**Share premium** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Ordinary shares of USD0.00001 each at 31 December 2020 and 1 January 2021	2,543,600,999	155	4,297,946	4,298,101
Shares issued upon exercise of share options and awarded shares	5,652,500	1	43,277	43,278
Ordinary shares of USD0.00001 each at 30 June 2021	2,549,253,499	156	4,341,223	4,341,379

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 and developing, manufacturing and marketing biopharmaceuticals. The core products of the Group include TPIAO (特比澳), recombinant human erythropoietin ("**rhEPO**") products EPIAO (益比奧) and SEPO (賽博爾), Yisaipu (益賽普), and Mandi (蔓迪). All five products are market leaders in Mainland China. 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, in terms of sales value, of TPIAO in Mainland China was 72.3% in the first half of 2021. With its two rhEPO products, the Group has been the premier market leader in the Mainland China rhEPO market for nearly two decades, holding a total share of 42.8% in the first half of 2021. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a share of 31.5% in the Mainland China TNF α market in the first half of 2021. According to the data of Chinese Pharmaceutical Association (中國藥學會, "**CPA**"), Mandi has a market share of 71.5% in the Mainland China minoxidil tincture market in terms of sales value in the first half of 2021. 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, including potentially introducing strategic investors at an appropriate time in the future.

Key Events

AstraZeneca Licenses Update

Due to streamlining in respect to the products licensed under an exclusive license agreement with AstraZeneca[2], with effect from 25 January 2021, all the arrangements in relation to Bydureon, the weekly administered GLP-1 receptor agonist product launched in May 2018, were terminated and Hongkong Sansheng Medical Limited ("**Hongkong Sansheng**"), a wholly-owned subsidiary of the Company, was therefore relieved from any further and future obligations in respect of Bydureon. Meanwhile, Hongkong Sansheng and AstraZeneca will continue to cooperate for the commercialization of Byetta, an injectable GLP-1 receptor agonist administered to treat type 2 diabetes, pursuant to the exclusive license agreement. The Group will continue to explore other collaboration and business opportunities with AstraZeneca.

Lilly Collaboration Update

Due to streamlining of the Group's products portfolio, save for the distribution of Humulin cartridges and KwikPens, all the distribution and promotion arrangements between the Group and Lilly China (and its affiliate) ("**Lilly**") in relation to Humulin, a human insulin product, were terminated on 28 February 2021, and the Group was therefore relieved from any further and future obligations relating thereto. The Group will continue to explore any other collaboration and business opportunities with Lilly from time to time.

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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.

For other key events, please also refer to "Key Product Developments" section below.

Key Products

TPIAO

TPIAO is the Group's self-developed proprietary product, and has been the only commercialized rhTPO product in the world since its launch in 2006. TPIAO has been approved by the PRC National Medical Products Administration ("**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 ("**NRDL**") as a Class B Drug for the treatment of severe CIT in patients with solid tumors or ITP since 2017. According to the "Chinese Expert Consensus on the Management of Hemorrhagic Complications after Hematopoietic Stem Cell Transplantation (2021 version)"[3], rhTPO is the first choice recommendation for thrombocytopenia after transplantation. According to the "Chinese Guideline on the Diagnosis and Management of Adult Primary Immune Thrombocytopenia (2020 version)"[4] (the "**Guidelines**"), rhTPO is one of the primary treatments for ITP emergency cases and is the first choice recommendation in the second line treatments list in the Guidelines for both ITP and ITP in pregnancy. According to the "Chinese Expert Consensus on Prevention and Treatment of CIT in Malignant Lymphoma"[5], rhTPO is one of the treatments for lymphoma CIT. According to the "Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in China"[6], rhTPO is the first choice recommendation for boosting platelet production. According to the "Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in Adult Critical Illness in China"[7], TPO can be used to treat myelosuppressive thrombocytopenia. In the "Consensus on the Clinical Diagnosis, Treatment, and Prevention of Chemotherapy-Induced Thrombocytopenia in China (2019 version)"[8], rhTPO is one of the primary treatments for CIT. In the "Chinese Guidelines for Treatment of Adult Primary Immune Thrombocytopenia", published in the International Journal of Hematology in April 2018, rhTPO was included as the first choice recommendation for the second line treatments list. In the "CSCO Guidelines — Soft Tissue Sarcoma (2019)", rhTPO is a primary treatment strategy for thrombocytopenia accompanying treating soft tissue sarcoma. rhTPO has also received similar professional endorsements in several national guidelines and experts consensus on treating certain other diseases in Mainland China.

On 28 December 2020, TPIAO was approved for listing on the 2021 NRDL through negotiation. During the reporting period, the continuing sales growth of TPIAO was mainly derived from 1) the continued increase in the number of hospitals covered; 2) the reduced pressure on patients under new medical insurance payment pricing; and 3) the enhanced market position for inpatients attributable to

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[3] Issued by the Chinese Society of Hematology of the Chinese Medical Association (the "**CMA**")

[4] Issued by the Thrombosis and Hemostasis Group of the Chinese Society of Hematology of the CMA

[5] Issued by Anti-Lymphoma Alliance and the Anti-Leukemia Alliance of the Chinese Society of Clinical Oncology ("**CSCO**") in 2020

[6] Issued by the Chinese Society of Internal Medicine, of CMA in July 2020

[7] Issued by the Critical Care Medicine Committee of Chinese PLA and Chinese Society of Laboratory Medicine, of the CMA in 2020

[8] Issued by the Society of Chemotherapy and Committee of Neoplastic Supportive-Care (CONS), both being subordinate units under the China Anti-Cancer Association

its safety and efficacy, and its continually supplanting traditional IL platelet-raising drugs in clinical use. The Group estimates that the penetration rates for CIT and ITP indications in Mainland China are in the range of approximately 27% to 35%. In the first half of 2021, its market share for the treatment of thrombocytopenia in Mainland China was 29.4% in terms of sales volume and 72.3% in terms of sales value. For the phase III clinical trial of TPIAO in the pediatric ITP indication, the Group expects to complete patient enrollment in the second half of 2021. For TPIAO in surgery patients with hepatic dysfunction at the risk of thrombocytopenia, the Group is initiating a phase Ib/II trial. Outside of Mainland China, TPIAO has been approved in nine countries, including Ukraine, the Philippines and Thailand. Currently, the European filing for TPIAO has been initiated.

EPIAO

EPIAO is still the only rhEPO product approved by the NMPA for the following three indications: the treatment of anemia associated with chronic kidney disease ("**CKD**"), the treatment of chemotherapy-induced anemia ("**CIA**") and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has been listed on the NRDL as a Class B Drug for renal anemia since 2000, and, additionally, for CIA in patients with non-hematological malignancies since 2019. EPIAO has also been listed in 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 value. EPIAO is the only rhEPO product in Mainland China available at 36,000 IU (international unit per vial) dosage. Further, EPIAO and SEPO together claim a majority market share of the Mainland China rhEPO market at 10,000 IU dosage. During the reporting period, the continuing sales growth of EPIAO was mainly derived from 1) the increase in the number of basic medical institutions covered; 2) inclusion in the National Essential Drug List, and the greater willingness for prescription at the grassroot level; and 3) the clinical edges over oral drugs in terms of cost effectiveness and safety. In Mainland China, for NuPIAO (SSS06), a second-generation long-acting rhEPO to treat anemia, the Group is currently planning for a phase III trial of the product, and expects to start patient enrollment before the end of 2021; and, patient enrollment in a randomized phase II clinical trial is ongoing on RD001, a pegylated long-acting rhEPO. Outside of Mainland China, EPIAO has been approved in 22 countries, including Ukraine, Thailand and Pakistan. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand are expected to be completed in 2021.

Yisaipu

Yisaipu (Recombinant Human TNF-α Receptor II: IgG Fc Fusion Protein for Injection), is a TNF α inhibitor product. It was first launched in 2005 in Mainland China for rheumatoid arthritis ("**RA**"). Its indications were expanded to ankylosing spondylitis ("**AS**") and psoriasis in 2007. The Group actively participated in the development of the "2018 China Rheumatoid Arthritis Treatment Guidance" (the "**2018 China RA Guidance**"), an authoritative document issued by the CMA. In this Guidance, Yisaipu was adopted under 'TNF α inhibitors' as one of the RA treatment options, and TNF α inhibitors was deemed as a group of biological agents with relatively sufficient evidence and relatively wide adoption in treating RA. Yisaipu has been listed on the NRDL as a Class B Drug since 2017 for the treatment of patients with a confirmed diagnosis of RA and for the treatment of patients with a confirmed diagnosis of AS (excluding pre-radiographic axial spondylarthritis), 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, with a share of 31.5% in the Mainland China TNF α market in the first half of 2021. Yisaipu

were sold in more than 3,200 hospitals in Mainland China, including more than 1,500 Grade III hospitals, in the first half of 2021. The Group believes that Yisaipu is still at an early stage of its product life cycle. According to the 2018 China RA Guidance, the usage rate of biologic DMARDs (Disease-Modifying Anti-Rheumatic Drugs) for treating RA in North America is 50.7%; while the usage rate in China is only 8.3% as found by a Chinese rheumatism registration study. Currently, the majority of the Group's sales of Yisaipu is generated from approximately 14% of the hospitals covered by the Group's sales team. Outside of Mainland China, Yisaipu has been approved in 15 countries, including Colombia, Thailand, the Philippines and Pakistan.

Cipterbin

Cipterbin (Inetetamab) is the first innovative anti-HER2 monoclonal antibody ("**mAb**") in Mainland China with the engineered Fc region and optimized production process. It was approved by the NMPA on 19 June 2020 for the treatment of HER2-positive metastatic breast cancer in combination with chemotherapy, as it was proven to be capable of delaying the disease progression for, and bringing survival benefits to, HER2-positive metastatic breast cancer patients. Sunshine Guojian independently developed this product based on its proprietary technology platform. Cipterbin is listed on the 2020 NRDL. According to the "Guidelines of CSCO — Breast Cancer (2021 edition)", Inetetamab (Cipterbin) is a basic drug for the entire course of anti-HER2 therapy for patients with advanced breast cancer. According to the "Chinese Advanced Breast Cancer Consensus Guideline 2020 (CABC3)" issued by the China Medical Women's Association, Inetetamab (Cipterbin) is one of the preferred treatments of advanced breast cancer. Inetetamab is adopted in the "Guidelines for the Clinical Application of New Anti-tumor Drugs (2020 edition)" issued by the PRC National Health Commission and "Experts Consensus for Diagnosis and Treatment of human epidermal growth factor receptor 2 positive breast cancer (2021 edition)" published in the National Medical Journal of China. In May 2021, the Group received an investigational new drug ("**IND**") approval from the NMPA to conduct phase I/II clinical trials of inetetamab (Company code: 302H) in combination with an anti-epidermal growth factor receptor ("**EGFR**") mAb (Company code: 602) in patients with HER2 positive, KRAS/NRAS/BRAF wild-type colorectal cancers. Patient enrollment is expected to start soon. In addition, the Group has submitted an IND application to the NMPA to conduct clinical trials of 302H in combination with IMM01, a CD47-targeting SIRPα-Fc fusion protein currently being developed by ImmuneOnco, in HER2 positive solid tumors.

Mandi

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

According to CPA's data, Mandi has a market share of 71.5% in Mainland China in the first half of 2021, with a year-on-year growth of 102% in sales value. The sales coverage of Mandi currently extends to more than 2,000 medical institutions in Mainland China, and strategic cooperation with Yonghe Hair Transplant, a hair transplant chain, is established. Meanwhile, the sales channels of Mandi also cover nearly 40,000 retail pharmacies, as well as Internet sales platforms, such as Tmall and JD.com. The Group expects the following drivers in the future growth of Mandi: 1) continued growth of medical institutions. Mandi has been introduced into more than 700 active hair clinics in China and its coverage continues to expand. The medical institutions has seen Mandi's safety and effectiveness tested for more than ten years, with more than one million patients treated and the number increasing. The continuous building of hospital channels will enhance the professional status of Mandi brand, and will also help to convert high loyalty customers for retail and e-commerce channels. In the first half of 2021, the revenue of Mandi from medical institutions accounted for approximately 20% of its total revenue, an increase of approximately 74% year-on-year; 2) expansion of coverage of retail pharmacies. As Mandi currently has low coverage in retail pharmacies, there is potential for improvement. In the first half of 2021, the revenue of Mandi from retail pharmacies accounted for approximately 25% of its total revenue, an increase of 233% year-on-year. It is expected that the coverage of retail pharmacies will be expanded through marketing activities; 3) online brand operation. Mandi has been launched in online stores such as AliHealth Pharmacy, JD Pharmacy and brand flagship stores. The digital marketing system accurately reaches and converts potential customers, and the refined operation in and outside websites will continuously boost consumption on e-commerce platforms. In the first half of 2021, the revenue of Mandi from e-commerce accounted for approximately 55% of its total revenue, an increase of 78% year-on-year; 4) potential launch of new product formulations. The phase III study of the foam form of Mandi, comparing head-to-head in male patients with hair loss to Rogaine®, the leading minoxidil drug in the United States has been completed. If approved, Mandi will likely be the only minoxidil foam in the Mainland China market, which will significantly improve its market competitiveness.

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

*Remitch (*product candidate)*

In July 2021, the Group announced that the randomized, double-blind, placebo-controlled multi-centered bridging clinical study on nalfuraphine hydrochloride orally disintegrating tablets (Company code: TRK-820) in collaboration with Toray Industries Inc. ("**Toray**") in Japan for treatment of maintenance hemodialysis patients with refractory pruritus has reached the preset clinical study endpoint. The Group expects that the new drug application will be submitted to the NMPA in the fourth quarter of 2021.

According to the results of the global survey DOPPS (Dialysis Outcomes and Practice Patterns Study), 82% of hemodialysis patients in Mainland China are suffering from skin itching in various degrees. Among them, the proportion of patients suffering from moderate or higher level of skin itching is as high as 39%, 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, antihistamines are one of the most commonly used drugs for treatment of skin pruritus in China, but antihistamines are not

effective enough for curing the pruritus contracted by hemodialysis patients suffering from pruritus, and using antihistamines alone is quite difficult to improve their quality of life. The therapeutic effect of other treatments ranging from local phototherapy to skin lubricants, topical hormones, oral gabapentin or pregabalin is also 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 Korea since 2016 to treat hemodialysis pruritus, which is limited to circumstances where current treatments do not produce satisfactory results. Additional indications of TRK-820, including pruritus in chronic liver disease patients and pruritus in peritoneal dialysis patients were approved in Japan in 2015 and 2017, respectively. The orally disintegrating tablet was approved and launched in Japan in 2017. The orally disintegrating tablet can be taken with or without water, which is particularly suitable for patients whose swallowing capabilities have deteriorated or those who have restrictions on water intake, and therefore is expected to improve drug intake compliance of patients. According to these study results, 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 domestic drug targeting pruritus of hemodialysis patients that is expected for an early market launch, and is expected to alleviate the pruritus symptoms of these patients and improve their quality of life, thereby bringing benefits to a large number of patients with refractory pruritus caused by hemodialysis in Mainland China.

CDMO Business

The Group's CDMO business currently consists of NMV Desen Biotech Co., Ltd. (瀋陽德生, "**Desen Biotech**"), Sunshine Guojian and Sirton (in Italy), all being the Group's subsidiaries. Among them, Desen Biotech has a total planned area of 500 Chinese mu, designed as a biopharmaceutical CDMO base, a manufacturing base of biopharmaceutical raw and auxiliary materials and consumables and a biopharmaceutical core process equipment base that are domestically-leading, oriented to the international market and are compliant with relevant Chinese, EU and U.S. Good Manufacturing Practice (GMP) regulations. The first phase of Desen Biotech covers an area of over 110 Chinese mu, and plans to establish a production line with 199,000 liters of stock solution and a cumulative capacity of 100 million doses/year for injections. It is expected that the first phase of 76,000 liters will be put into operation in 2022.

The CDMO production lines of the Group can support production of a range of biologics in three major expression systems of bacteria, yeast and eukaryotic cells, including mAb, bispecific antibody, neutralization antibody, vaccine and mRNA nucleic acid drugs, and can meet the requirements of clinical biologics from early sample structure analysis, cell banking and Chemistry Manufacturing and Control (CMC) services to mid-clinical stock solution production, formulation production, and post-approval commercial production. The production lines are equipped with reactors of various scales, with the specification of each stainless steed system ranging from 10L to 10KL, which can meet different demand scenarios from small batch sample testing at the R&D stage to mass commercial production. The total capacity of the production lines is more than 200 million doses of formulation, covering the main forms of biologics such as liquid vials, freeze-dry powder injections and pre-filled injections. The Group's CDMO lines have received GMP certifications in China, Brazil, Colombia, Ukraine, the EU and other countries; and have successfully passed all regulatory reviews, including multiple unannounced inspections, as well as quality audits by domestic and international customers.

The Group believes that it possesses various competitive advantages in the CDMO business, including the technological advantages associated with engaging in the whole process spanning from R&D to production of biopharmaceutical products over the years; the scalable cost advantages of a single 10,000-litre bioreactor for commercial production; the production cost advantages brought by the capability to manufacture raw materials such as culture medium and chroma-tographic filler; and the quality control management advantage with high level of automation. In the first half of 2021, the Group's CDMO business received orders of approximately RMB40.1 million from customers, including leading domestic and international pharmaceutical companies and biotechnology companies.

The Group boosts its revenue scale through strategic positioning in CDMO business, including potentially introducing strategic investors at an appropriate time in the future.

Research and Development

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

The Group focuses its R&D efforts on researching and developing innovative biological products as well as in small molecule therapeutics. Currently, the Group has several leading biological products in various stages of clinical development, including 304R (an anti-CD20 antibody to treat non-Hodgkin's lymphoma and other autoimmune diseases), 301S (the pre-filled aqueous injection solution of Yisaipu), SSS06 (NuPIAO, a second-generation rhEPO to treat anemia), RD001 (a pegylated long-acting rhEPO to treat anemia), SSS07 (an anti-TNF α antibody to treat RA and other inflammatory diseases), pegsiticase (a modified pegylated recombinant uricase from candida utilis to treat refractory gout), 601A (an anti-vascular endothelial growth factor ("**VEGF**") antibody to treat age-related macular degeneration ("**AMD**") and other ophthalmological diseases), 602 (an anti-EGFR antibody to treat cancer), 608 (an anti-interleukin ("**IL**")-17A antibody to treat autoimmune and other inflammatory diseases), 609A (an anti-programmed cell death protein 1 ("**PD1**") antibody to treat cancer), 610 (an anti-IL5 antibody to treat severe asthma), and 611 (an anti-IL4R antibody to treat atopic dermatitis). On the small molecule side, the Group is conducting clinical trials of two innovative products: nalfurafine hydrochloride (TRK-820, a highly selective kappa receptor agonist) to treat pruritus in hemodialysis patients, and HIF-117 capsule (SSS17, a selective small molecule inhibitor to hypoxia inducible factor ("**HIF**") proline hydroxylase) to treat anemia. In addition, the Group is performing bio-equivalency studies of a number of generic small molecule products in the field of nephrology, autoimmune and dermatological diseases.

On the research front, the Group is developing a panel of novel biological products, including mAbs, bi-specific antibodies and fusion proteins, and a number of small molecule drugs, both innovative and generic, in the areas of oncology, autoimmune and inflammatory diseases, nephrology, ophthalmology and dermatological diseases. The Group expects to file multiple IND applications to both the U.S. FDA and the PRC NMPA on new biologic entities with first-in-class and/or best-in-class potential, including new mAb and bi-specific antibodies, within the next 12 months.

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

Product Pipeline

As at 30 June 2021, amongst the 35 product candidates within the Group's active pipeline, 24 were being developed as innovative drugs in Mainland China. Out of these 35 product candidates, 21 are mAb or bi-specific antibodies, five are other biologic products, and nine are small molecule entities. The Group has 14 product candidates in oncology; 14 product candidates that target auto-immune diseases including RA, and other diseases including refractory gout and ophthalmological diseases such as AMD; six product candidates in nephrology; and one product candidate in dermatology.

R&D Pipeline

Therapeutic Area	Product Candidate	Pre-clinical	Clinical Trial Application	Phase I	Phase II	Phase III	New Drug Registration
Nephrology	SSS06 Long-acting EPO						
	RD001 Long-acting EPO						
	SSS17 HIF inhibitor						
	SSS12						BE 2021
	SSS13						BE 2021
	TRK-820/Remitch						
Oncology	302H anti-HER2 new indications						
	304R anti-CD20 antibody						
	602 anti-EGFR antibody						
	609A anti-PD1 antibody						
	612 anti-HER2 neo epitopes						
	615(SB8) anti-VEGF antibody						
	617 anti-PSGL-1 antibody						
	705 anti-PD1 x HER2 bispecific antibody						
	706 BsAb2						
	707 BsAb3						
	619 anti-LAG3 antibody						
	620 anti-VSIG4 antibody						
	622 anti-CD73 antibody						
	SSS24				BE 2022		
	301S TNFR-Fc Fusion Protein						
	SSS07 anti-TNFα antibody						
	601A anti-VEGF mAb						
	SSS11 Pegsticase						
	TPO Pediatric ITP/Chronic Liver Disease						
Auto-Immune, ophthalmology and others	AP506						BE 2021
	SSS20						BE 2021
	SSS32						BE 2021
	608 anti-IL17 antibody						
	610 anti-IL5 antibody						
	611 anti-IL4Rα antibody						
	613 anti-IL1β antibody						
	621 anti-IL33 antibody						
	SSS40 anti-NGF antibody						
Dermatology	MN709						

BE: Bioequivalence assessment

Key Product Developments

— New Drug Application ("**NDA**") submission and phase III development

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

Narfuraphine hydrochloride (TRK820): As announced on 21 July 2021, the randomized, double-blind, placebo-controlled multi-centered bridging clinical study on narfuraphine hydrochloride orally disintegrating tablets for treatment of maintenance hemodialysis patients with refractory pruritus has reached the pre-set clinical study endpoint. The result indicates that the main efficacy indicators of the 5μg group and the 2.5μg group of this study have all been bridged successfully and these outcomes are consistent with the results of Japan's phase III trial. 3SBio expects that the new drug application will be submitted to the NMPA in the fourth quarter of 2021. TRK-820 is a highly selective κ (kappa)-opioid receptor agonist. In December 2017, Toray granted 3SBio the exclusive right to develop and commercialize TRK-820 (trade name in Japan: "Remitch®", as marketed since 2009) in Mainland China.

Minoxidil foam formulation (MN709): The Group has completed a randomized, double-blinded phase III study comparing head-to-head of MN709 to Rogaine® in male patients with hair loss. Data readout is expected in third quarter of 2021.

TPIAO (TPO): The Group has started a phase III clinical trial of TPIAO in the pediatric ITP indication. Patient enrollment is ongoing. The Group expects to complete patient enrollment in the second half of 2021. A phase I clinical trial for TPIAO in surgery patients with chronic hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group is initiating a phase Ib/II trial.

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

Anti-CD20 mAb (304R): The Group has completed the internal auditing of the participating clinical trial sites and data in the previously completed phase III trial and is finalizing the clinical study reports. The Group has completed a phase I head-to-head trial comparing 304R (Jiantuoxi) with rituximab (Rituxan®) in non-Hodgkin's lymphoma patients with zero tumour burden, with major endpoints of safety and pharmacokinetics. In parallel, the Group is planning to submit a pre-IND request to NMPA in the third quarter of 2021 for conducting a clinical trial of 304R in patients with pemphigus vulgaris.

— Phase II development

NuPIAO (EPO, SSS06): The Group has completed patient enrollment of a randomized phase II clinical trial, and expects a data readout by the fourth quarter of 2021. The Group is currently planning for a phase III trial of the product, and expects to start patient enrollment before the end of 2021.

Peg-EPO (RD001): The Group has completed a dose-escalating phase I safety and pharmacokinetics study of RD001 in healthy volunteers. Patient enrollment in a randomized phase II clinical trial is ongoing.

Anti-IL17A mAb (608): The Group has completed a dose-escalating phase I clinical trial of 608 in healthy volunteers. A phase II trial in patients with plaque psoriasis is currently ongoing. The Group expects to complete patient enrollment for part 1 of the trial in the third quarter of 2021.

Anti-IL5 mAb (610): A dose-escalating phase I trial in healthy volunteers has been completed. The Group expects to initiate phase Ib/II trials in asthma patients, and patient enrollment is starting soon.

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

Anti-VEGF mAb (601A): The Group has completed two dose-escalating phase I/IIa clinical trials of 601A: one in AMD and the other in diabetic macular edema (DME) patients. The Group has since initiated three phase II trials in patients with branch retinal vein occlusion (BRVO), central RVO (CRVO) and pathologic myopia choroid neovascularization (pmCNV), respectively. Patient enrollment in the BRVO trial has been completed, whereas the enrollment of the other two trials is actively ongoing. The Group is also preparing to start phase II/III clinical trials of 601A in AMD and BRVO patients in the near future.

Anti-EGFR mAb (602): The Group has completed two phase I trials of 602: one in healthy volunteers and the other in patients with colorectal cancer, and has initiated a phase II clinical trial of the product in patients with colorectal cancer. Patient enrollment is ongoing.

Anti-HER2 mAb (inetetamab, 302H): As announced on 13 May 2021, the Group received an IND approval from the NMPA to conduct phase I/II clinical trials of 302H in combination with 602 in patients with HER2 positive, KRAS/NRAS/BRAF wild-type colorectal cancers. Patient enrollment is expected to start soon. In addition, the Group has submitted an IND application to the NMPA to conduct clinical trials of 302H in combination with IMM01, a CD47-targeting SIRP α-Fc fusion protein currently being developed by ImmuneOnco, in HER2 positive solid tumors.

— Phase I development and new IND applications

Anti-PD1 mAb (609A): The Group has completed a US phase I trial of 609A in patients with various cancers. Patient enrollment in a phase I trial in China has also been completed. The Group is currently planning for advanced clinical trials for the product in multiple cancer indications, both as a single agent therapy and in various combination therapies. To date, the Group has submitted several IND applications to NMPA for 609A in combination with 302H, bevacizumab, and/or chemotherapies in various cancer indications, including breast cancer, hepatocellular carcinoma, gastric cancer and soft tissue sarcomas.

Anti-IL4R α mAb (611): A dose-escalating phase I clinical trial in healthy volunteers has been completed in the United States. The Group is initiating phase Ib/II clinical trials in patients with atopic dermatitis in China, and patient enrollment is starting soon.

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

Anti-HER2 mAb (612): As announced on 7 May 2021, the Group received an IND approval from NMPA to conduct clinical trials of 612, a novel anti-HER2 mAb directed against different epitopes to those of trastuzumab and pertuzumab, to treat HER2 positive cancer patients. In preclinical studies, 612 has demonstrated significant synergistic antitumor activity when combined with 302H, trastuzumab, or a combination of 302H and pertuzumab. Patient enrollment is expected to start soon.

Anti-IL1 β mAb (613): As announced on 8 July 2021, the Group received two IND approvals from NMPA to conduct clinical trials of 613 to treat patients with juvenile idiopathic arthritis (JIA) and periodic fever syndromes, including cryopyrin-associated period syndromes (CAPS), tumor necrosis factor receptor-associated period syndromes (TRAPS), hyperimmunoglobulin D syndrome (HIDS)/ Mevalonate kinase deficiency (MKD), and familial Mediterranean fever (FMF), respectively. Patient enrollment has commenced recently.

Anti-PD1 x anti-HER2 bispecific antibody (705): As announced on June 14, 2021, the Group received an IND approval from the U.S. FDA to conduct clinical trials of 705 in HER2 positive solid cancer patients. An IND application of 705 has been recently submitted to, and accepted for review by, the NMPA.

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.

As at 30 June 2021, the Group's extensive sales and distribution network in Mainland China was supported by approximately 2,793 sales and marketing employees, 722 distributors and 2,302 third-party promoters. In the first half of 2021, the Group's products were sold in over 2,500 Grade III hospitals and over 5,000 Grade II or lower hospitals and medical institutions across all provinces, autonomous regions and special municipalities in Mainland China. In addition, TPIAO, Yisaipu, EPIAO, SEPO and some of the Group's other products are exported to a number of countries through international promoters.

Outlook

Since the introducing the reform of the evaluation and approval of new drugs, there are promising prospects in the biopharmaceuticals industry in China, with evidence of rapid growth. According to the data from the 2020 Annual Drug Evaluation Report, in 2020 there were 1,867 applications for new biopharmaceuticals registration, representing a year-on-year increase of 58.4%; as for the evaluation side, 500 IND applications for biopharmaceuticals were accepted in 2020, representing a year-on-year increase of 60.3%, while 89 NDA applications for biopharmaceuticals were approved, representing a year-on-year increase of 20.3%. It is expected that the number of clinical applications and approvals for domestic innovative drugs will further increase in 2021. According to the data from Frost & Sullivan, the market size of the biopharmaceuticals industry in China in 2020 was estimated to be around 400 billion, with a compound annual growth rate ("**CAGR**") of approximately 20% for the upcoming 5 years. However, when compared globally, the application rate of biologics remains at the initial stage in China. Therefore, the Group believes that the size of the biopharmaceuticals market in China will continue to escalate, with blockbuster drugs emerging. On the other hand, apart from relying on the significant growth in domestic demand, various domestic biopharmaceuticals are beginning to explore the international market. As represented by programmed cell death protein -1 (PD-1), many categories of good quality are reaching out to the global markets, joining in the competition and reaping the rewards.

The advance in medical reform will place more emphasis on the clinical value of biopharmaceuticals. On 2 July and 8 July 2021, the Centre for Drug Evaluation of the PRC published exposure drafts for "Guidelines for clinical research and development of anti-tumor drugs driven by clinical value" (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》) and "Guidelines for research technologies for clinical pharmacology of biosimilars" (《生物類似藥臨床藥理學研究技術指導原則》), respectively, with the aim of emphasizing the principle of "driven by clinical value and centered on the need of patients" and that drug innovation should not be limited to a "me-too" approach, where biotechnology and pharamaceutical companies merely imitate competitors' products. It aims to further enhance the quality of innovative drugs with focus on the development of new targets and new technologies, thereby truly serving the domestic underserved clinical demand by providing innovation with value.

National centralized drug procurement driven by NRDL is becoming inevitable, and the advantage in production capacity and cost for biopharmaceuticals will become eminent. Accompanied by the continuous increase in same targets and similar categories of biopharmaceuticals being launched, there is even overlapping in the R&D of certain targets and supply exceeding demand. Under the model of medical insurance payment in the domestic market, the competitiveness of biopharmaceuticals has gradually shifted to the commercialization stage. Admission to the NRDL, cost control, and sales team and internationalization capabilities will become key factors for evaluating the success of innovative drugs after launch.

In the area of consumer products, with the enhancement in the quality of life, there is significant demand for medical aesthetics in China, thereby creating great market potential for the growth of external OTC hair growth medicines. While there are more than 250 million people suffering from hair losses in China, we expect that with people's rising awareness of hair health, the scale of the hair growth market will continue to expand. Leveraging on the assured safety profile and efficacy of external hair growth medicines, these medicines will become an important player in the hair market. We believe that as the safety profile and efficacy of external OTC hair growth medicines have been

validated by clinical tests over years, along with their ready availability, such products can enrich the treatment options for patients suffering from hair loss.

The Group has responded firmly to national guidance on independent innovation and further deepening of medical security. By adhering to the concept of "letting high quality drugs be generally available for patients", the Group continues to strengthen the commercialization and innovation capacities of its biopharmaceuticals, thereby promoting sustainable development of its performance in the long run. For its marketed products including TPIAO, EPIAO, SEPO and Yisaipu, the Group adheres to the strategy of deepening grassroot development and continues to pursue a wider patient coverage and actively respond to the adjustment of national medical insurance prices, while in a forward-looking strategy the Group builds large-scale biopharmaceutical production capacity to provide more supply at lower prices. As for market expectation for Mandi as a consumer product, the Group expects that with intensified market promotion for Mandi and leveraging on its advantageous position as a leading external OTC hair growth medicine with remarkable safety profile and efficacy, together with its extensive product specifications and restructured production capacity, it is possible for Mandi to achieve a higher penetration and sustain rapid performance growth.

Regarding the layout of R&D, the Group has consistently pursued excellence in innovation and technology. Its rich product portfolio comprises 35 pipeline candidates, with 24 candidates developed as innovative drugs. The Group continues to focus its resources on four major core therapeutical areas, which are oncology, autoimmune diseases, nephrology and dermatology. Among them, the autoimmune diseases segment includes anti-IL-4Rα antibody, anti-IL-5 antibody and anti-IL-17A antibody that rank in the first R&D echelon in China, while the oncology segment focuses on next generation bio-therapeutics, including programmed CAR-T cell therapeutics, immune checkpoint inhibitors, MCMs, bi-specific antibodies and other innovative antibody molecules, antibodies to novel targets, and multi-products combination therapies. The Group will continue to build up its in-house clinical development capacity and expedite the clinical progress in order to advance its integrative research capability on a highly focused basis.

The Group has always pursued external collaboration on the themes of "global innovation" and "field synergy". The Group seeks to cooperate with leading global technology platforms and biotechnology companies. With the development of more quality products through technology collaborations on one hand, the Group has also actively sourced and introduced high-quality drugs from across the world into China to satisfy the unmet clinical needs of domestic patients. The Group has established global product collaborations with its partners including Toray, Samsung Bioepis, Refuge Biotechnologies, Verseau, TLC, Numab, GenSight and Sensorion. The Group actively accelerates the clinical and commercial progress of in-licensed products nafurafil hydrochloride orally disintegrating tablets (TRK-820) and amphotericin B liposome (Ampholipad™) in China, in order to provide survival benefits to domestic patients on an early timetable. At the same time, the Group also deploys various overseas platforms as advance channel preparations for the future global commercialization of its products.

In the first half of 2021, although the effects of COVID-19 pandemic were significantly alleviated in China, the operations of the domestic market have yet to fully recover due to the impacts of overseas pandemic conditions and threat from viruses mutation, and therefore, business operations still face uncertainties, risks and challenges. Nevertheless, the Group will continue to operate in a prudent and positive manner. By drawing on the experiences of managing and operating in the new normalcy of the pandemic condition, the Group is working out more mature and systemic measures to ensure that its business and operations are moving forward on track, secured and strong.

Financial Review

Revenue

For the six months ended 30 June 2021, the Group's revenue amounted to approximately RMB3,107.1 million, as compared to approximately RMB2,695.2 million for the six months ended 30 June 2020, representing an increase of approximately RMB412.0 million, or approximately 15.3%. The increase was mainly attributable to the strong sales growth of TPIAO, rhEPO products, Yisaipu and Mandi.

For the six months ended 30 June 2021, the Group's sales of TPIAO increased to approximately RMB1,521.4 million, as compared to approximately RMB1,374.7 million for the six months ended 30 June 2020, representing an increase of approximately RMB146.7 million, or approximately 10.7%. The increase was primarily attributable to an increase in sales volume. Sales of TPIAO was not severely affected by the outbreak of COVID-19 pandemic mainly due to the inelastic nature of the medical need of its target patients. For the six months ended 30 June 2021, sales of TPIAO accounted for approximately 49.0% of the Group's total revenue.

For the six months ended 30 June 2021, the Group's sales of EPIAO and SEPO increased to approximately RMB543.4 million, as compared to approximately RMB462.1 million for the six months ended 30 June 2020, representing an increase of approximately RMB81.3 million, or approximately 17.6%. The increase was primarily attributable to an increase in sales volume which was in turn primarily driven by the improved penetration rate, as rhEPO has become a necessary basic drug at lower tier public medical institutions. For the six months ended 30 June 2021, the Group's sales of EPIAO increased to approximately RMB404.5 million, as compared to approximately RMB350.7 million for the six months ended 30 June 2020, representing an increase of approximately RMB53.8 million, or approximately15.3%. For the six months ended 30 June 2021, the Group's sales of SEPO increased to approximately RMB138.9 million, as compared to approximately RMB111.4 million for the six months ended 30 June 2020, representing an increase of approximately RMB27.6 million, or approximately 24.8%. For the six months ended 30 June 2021, the sales of EPIAO and SEPO accounted for a total of approximately 17.5% of the Group's total revenue.

For the six months ended 30 June 2021, the Group's sales of Yisaipu increased to approximately RMB428.9 million, as compared to approximately RMB331.1 million for the six months ended 30 June 2020, representing an increase of approximately RMB97.8 million, or approximately 29.5%. The increase was mainly attributable to the increased sales volume which was driven by the price reduction since October 2020. For the six months ended 30 June 2021, the sales of Yisaipu accounted for approximately 13.8% of the Group's total revenue.

For the six months ended 30 June 2021, the Group's sales from alopecia area increased to approximately RMB266.2 million, as compared to approximately RMB132.7 million for the six months ended 30 June 2020, representing an increase of approximately RMB133.5 million, or approximately 100.7%. The increase was mainly attributable to the increased market demand for hair loss and growth treatments, which was driven by the Group's diversified and effective promotional efforts. For the six months ended 30 June 2021, the Group's sales of Mandi increased to approximately RMB258.0 million, as compared to approximately RMB128.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB129.2 million, or approximately 100.3%. For the six months ended 30 June 2021, the sales from alopecia area accounted for a total of approximately 8.6% of the Group's revenue.

For the six months ended 30 June 2021, the Group's revenue from CDMO business increased to approximately RMB40.1 million, as compared to approximately RMB36.6 million for the six months ended 30 June 2020, representing an increase of approximately RMB3.4 million, or approximately 9.4%. The increase was mainly attributable to the increased CDMO orders from customers.

For the six months ended 30 June 2021, the Group's other sales, primarily consisted of sales from license-in products, export sales and other products, decreased to approximately RMB307.1 million, as compared to approximately RMB358.0 million for the six months ended 30 June 2020, representing a decrease of approximately RMB50.9 million, or approximately 14.2%. The decrease was mainly due to the termination of the exclusive distribution rights in relation to Bydureon and Humulin and was partially offset by the launch of new products.

Cost of Sales

The Group's cost of sales increased from approximately RMB478.1 million for the six months ended 30 June 2020 to approximately RMB520.0 million for the six months ended 30 June 2021, which accounted for approximately 16.7% of the Group's total revenue for the same period. The primary reason for the increase in the Group's cost of sales was the increased sales volume for the six months ended 30 June 2021, as compared to the corresponding period in 2020.

Gross Profit

For the six months ended 30 June 2021, the Group's gross profit increased to approximately RMB2,587.1 million, as compared to approximately RMB2,217.1 million for the six months ended 30 June 2020, representing an increase of approximately RMB370.1 million, or approximately 16.7%. The increase in the Group's gross profit was broadly in line with its revenue growth during the period. The Group's gross profit margin increased to approximately 83.3% for the six months ended 30 June 2021 from approximately 82.3% for the corresponding period in 2020. The increase was mainly due to the sales growth of TPIAO, which had a higher gross profit margin, and the termination of the exclusive distribution rights in relation to Bydureon and Humulin, which had a lower profit margin than the Group's other businesses.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income, foreign exchange gain, fair value gain on deemed disposal of investment in associates and other miscellaneous income. For the six months ended 30 June 2021, the Group's other income and gains increased to approximately RMB159.2 million, as compared to approximately RMB96.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB62.4 million, or approximately 64.5%. The increase was mainly attributable to the increase in foreign exchange gain in 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff costs, transportation expenses and other miscellaneous selling and distribution expenses. For the six months ended 30 June 2021, the Group's selling and distribution expenses amounted to approximately RMB1,152.0 million, as compared to approximately RMB972.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB179.8 million, or approximately 18.5%. The increase was broadly in line with its revenue growth during the period. In terms of the percentage of revenue, the Group's selling and distribution expenses increased from approximately 36.1% for the six months ended 30 June 2020 to approximately 37.1% for the six months ended 30 June 2021. The increase in the percentage of revenue was mainly due to the increased marketing expenses for new products promotion.

Administrative Expenses

The Group's administrative expenses consisted of staff costs, professional fees, depreciation and amortization, property expenses, share-based compensation, and other miscellaneous administrative expenses. For the six months ended 30 June 2021, the Group's administrative expenses amounted to approximately RMB167.4 million, as compared to approximately RMB148.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB18.6 million, or approximately 12.5%. The increase was mainly due to the increased professional fees and the ESOP expenses in 2021. Had the effects of the non-recurring items been excluded, the administrative expenses for the six months ended 30 June 2021 would have been approximately RMB150.6 million, as compared to approximately RMB138.5 million for the six months ended 30 June 2020, representing an increase of approximately RMB12.0 million, or approximately 8.7%. The administrative expenses (excluding the aforementioned non-recurring items) as a percentage of revenue was approximately 4.8% for the six months ended 30 June 2021 and approximately 5.1% for the six months ended 30 June 2020.

R&D Costs

The Group's R&D costs primarily consisted of staff costs, materials consumption, clinical trials costs, depreciation and amortisation, and other miscellaneous R&D expenses. For the six months ended 30 June 2021, the Group's R&D costs amounted to approximately RMB344.9 million, as compared to approximately RMB254.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB90.5 million, or approximately 35.6%. The increase was mainly due to the increased investments in R&D activities and projects, which was in turn driven by the accelerated progress of the Group's product pipeline. The R&D costs accounted for approximately 11.1% of revenue for the six months ended 30 June 2021, as compared to approximately 9.4% for the corresponding period in 2020.

Other Expenses and Losses

The Group's other expenses and losses primarily consisted of donation expenses, provision for impairment of financial assets, and other miscellaneous expenses and losses. For the six months ended 30 June 2021, the Group's other expenses and losses amounted to approximately RMB7.5 million, as compared to approximately RMB58.3 million for the six months ended 30 June

2020, representing a decrease of approximately RMB50.7 million, or approximately 87.1%. The decrease was mainly due to the decrease in donation expenses after the price reduction of Yisaipu.

Finance Costs

For the six months ended 30 June 2021, the Group's finance costs amounted to approximately RMB32.3 million, as compared to approximately RMB43.6 million for the six months ended 30 June 2020, representing a decrease of approximately RMB11.3 million, or approximately 25.9%. The decrease was mainly due to the decrease in interest expenses with the repayment of bank borrowings and the lower interest cost with the 2025 Bonds. Excluding the non-cash interest expenses of the Bonds, the finance cost decreased from RMB7.3 million for the six months ended 30 June 2020 to approximately RMB1.7 million for the six months ended 30 June 2021, representing a decrease of approximately RMB5.7 million, or approximately 77.5%.

Income Tax Expense

For the six months ended 30 June 2021, the Group's income tax expense amounted to approximately RMB134.8 million, as compared to approximately RMB132.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB2.0 million, or approximately 1.5%. The increase was mainly due to the increase of the taxable income during the six months ended 30 June 2021, as compared to the corresponding period in 2020. The effective tax rates for the six months ended 30 June 2021 and the corresponding period in 2020 were 13.1% and 16.2%, respectively. The decrease in effective tax rate was mainly due to the decrease in offshore losses and the increase in deductible expenses, including 25% more allowed extra deduction of R&D expenses under the revised PRC tax regulation, for the six months ended 30 June 2021, as compared to those for the six months ended 30 June 2020.

Net Profit Attributable to Owners of the Parent and EBITDA

The net profit attributable to owners of the parent for the six months ended 30 June 2021 was approximately RMB898.9 million, as compared to approximately RMB702.5 million for the six months ended 30 June 2020, representing an increase of approximately RMB196.4 million, or approximately 28.0%. The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the 2022 Bonds and the 2025 Bonds; and (b) the expenses associated with the share options and awarded shares granted in February 2017 and March 2020; (c) the expenses associated with the share options under the ESOP of Sunshine Guojian; and (d) gain on deemed disposal of investment in associates. The Group's normalized net profit attributable to owners of the parent for the six months ended 30 June 2021 was approximately RMB929.8 million, as compared to approximately RMB749.0 million for the six months ended 30 June 2020, representing an increase of approximately RMB180.8 million, or approximately 24.1%.

The EBITDA for the six months ended 30 June 2021 increased by approximately RMB174.5 million or approximately 17.4% to approximately RMB1,177.4 million, as compared to approximately RMB1,002.9 million for the six months ended 30 June 2020. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the 2022 Bonds and the 2025 Bonds; (b) the expenses associated with the share options and awarded shares granted in February 2017 and March 2020; (c) the expenses associated with the share options under the ESOP of Sunshine Guojian; and

(d) gain on deemed disposal of investment in associates. The Group's normalized EBITDA for the six months ended 30 June 2021 increased by approximately RMB128.2 million or approximately 12.2% to approximately RMB1,177.6 million, as compared to approximately RMB1,049.4 million for the six months ended 30 June 2020.

Earnings Per Share

The basic earnings per share for the six months ended 30 June 2021 was approximately RMB0.35, as compared to approximately RMB0.28 for the six months ended 30 June 2020, representing an increase of approximately 25%. The calculation of the normalized basic earnings per share amount is based on the normalized net profit attributable to owners of the parent for the six months ended 30 June 2021 and the weighted average ordinary shares of the Company in issue during the reporting period, as adjusted to reflect the issue of ordinary shares during the reporting period. The normalized basic earnings per share for the six months ended 30 June 2021 was approximately RMB0.36, as compared to approximately RMB0.30 for the six months ended 30 June 2020, representing an increase of approximately 20%.

Other Comprehensive Income or Losses

The Group's other comprehensive income mainly consisted of comprehensive investment income and converted differences in foreign currency statements. For the six months ended 30 June 2021, the Group's other comprehensive income amounted to approximately RMB123.4 million, as compared to approximately RMB255.6 million for the corresponding period in 2020, representing a decrease of approximately RMB132.3 million, or approximately 51.7%. Notwithstanding the decrease in other comprehensive income, in the reporting period there was significant appreciation in the Group's equity investment designated at fair value, which comprised part of comprehensive investment income.

Financial Assets Measured at Fair Value

As at 30 June 2021, financial assets measured at fair value primarily comprised the investment in treasury or cash management products issued by certain banks, the investments in listed companies and the investments in private equity funds which focus on investment in health-care industry.

Liquidity, Financial and Capital Resources

The Group's liquidity remained strong. For the six months ended 30 June 2021, the Group's operating activities generated a net cash inflow of approximately RMB811.5 million, as compared to approximately RMB708.2 for the six months ended 30 June 2020, representing an increase of RMB103.3 million or approximately 14.6%. The increase was mainly attributable to the increased cash inflow from the sales of biopharmaceuticals. As at 30 June 2021, the Group's cash and bank balances and bank financial products were approximately RMB4,913.4 million.

Net Current Assets

As at 30 June 2021, the Group had net current assets of approximately RMB6,066.7 million, as compared to net current assets of approximately RMB5,229.0 million as at 31 December 2020. The current ratio of the Group increased from approximately 4.6 as at 31 December 2020 to approximately 5.5 as at 30 June 2021. The increase in net current assets and current ratio was mainly attributable to the net cash inflow in 2021.

Funding and Treasury Policies, Borrowing and Pledge of Assets

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

As at 30 June 2021, the Group had total interest-bearing bank borrowings of approximately RMB214.8 million, as compared to approximately RMB413.5 million as at 31 December 2020. The decrease in bank borrowings primarily reflected the repayment of loans of RMB360.0 million in 2021 that was largely offset by additional bank-borrowing of RMB162.3 million. Among the short-term deposits, none was pledged to secure bank loans as at 30 June 2021.

As at 30 June 2021, the Group had convertible bonds outstanding of approximately RMB2,387.8 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings (excluding the 2025 Bonds) by the total equity, decreased to approximately 1.5% as at 30 June 2021 from approximately 3.2% as at 31 December 2020. The decrease was primarily due to the movement of the equity, which was brought by the total comprehensive income.

Contingent Liabilities

As at 30 June 2021, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB1,518.9 million as at 30 June 2021, as compared to approximately RMB1,420.3 million as at 31 December 2020.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in Mainland China, with all material aspects of its regular business conducted in Renminbi other than: (1) the operations of Sirton; and (2) the Group's exports, which amounted to approximately RMB20.1 million, or approximately 0.6% of the Group's revenue, for the six months ended 30 June 2021. Except for the operations of Sirton, the Group's exports, potential international deal-making expenditures (such as related to international licensing and acquisitions), and foreign currency denominated bank deposits and the Euro-denominated bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 30 June 2021, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD44.2 million (equivalent to approximately RMB285.3 million); (2) approximately HKD91.6 million (equivalent to approximately RMB76.2 million); and (3) approximately EUR27.6 million (equivalent to approximately RMB212.3 million). The Group expects that the fluctuation of the Renminbi exchange rate will not have a material adverse effect on the operations of the Group in the foreseeable future.

Significant Investments Held

During the six months ended 30 June 2021, the Group did not have any significant investments.

Future Plans for Material Investments or Capital Assets

The Group estimates that the total capital expenditure of the Group for the next three years will be in the range of RMB2,000 million to RMB2,500 million. These expected capital expenditures will primarily be incurred for the expansion of the Group's production capabilities and the maintenance of the Group's existing facilities. The Group expects to finance its capital expenditures through a combination of internally generated funds, bank borrowings and equity financing.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2021, the Group employed a total of 5,232 employees, as compared to a total of 5,584 employees as at 31 December 2020. The staff costs, including Directors' emoluments but excluding any contributions to the pension scheme, were approximately RMB595.5 million for the six months ended 30 June 2021, as compared to approximately RMB555.1 million for the corresponding period in 2020. The Group generally formulated its employees' remuneration package to include salary, bonus, equity compensation, and allowance elements. The compensation programs were designed to remunerate the employees based on their performance, measured against specified objective criteria. The Group also provided the employees with welfare benefits in accordance with applicable regulations and the Group's internal policies. The Company has adopted a share option scheme, a share award scheme and other incentive schemes 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.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2021.

KEY EVENTS AFTER THE REPORTING PERIOD

Aohai Arbitration

In July 2021, Aohai Biotechnology (Shanghai) Co., Ltd. ("**Aohai**") filed an arbitration application to Shanghai International Economic and Trade Arbitration Commission for a dispute in regard to its collaboration with Sunshine Guojian and the application has been accepted. Aohai requests an arbitration award to terminate its cooperation agreement with Sunshine Guojian signed in December 2015, and the amounts in dispute is RMB131.4 million. At present, both sides are in the process of preparing submissions and supporting documents.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of members of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. Except as expressly described below, the Company has complied with all applicable code provisions set out in the CG Code during the six months ended 30 June 2021.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code during the six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2021.

AUDIT COMMITTEE

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

The Audit Committee, together with the management, has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021. The Audit Committee has also reviewed the effectiveness of the financial controls and internal control and risk management systems of the Company, and considers the internal control and risk management systems to be effective and adequate.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the interim results announcement of the Group's results for the six months ended 30 June 2021 has been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Ernst & Young on the interim results announcement.

PUBLICATION OF THE INTERIM RESULTS AND 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

The Company's 2021 interim report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Shenyang, the PRC
25 August 2021

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