三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 5241)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Revenue[1] increased by approximately RMB401.9 million or approximately 30.8% to approximately RMB1,706.7 million, as compared to the six months ended 30 June 2016.
- Gross profit[1] increased by approximately RMB323.9 million, or approximately 28.6% to approximately RMB1,457.1 million, as compared to the six months ended 30 June 2016, and gross profit margin was approximately 85.4%.
- EBITDA[1, 2] increased by approximately RMB162.6 million or approximately 33.2% to approximately RMB652.7 million, as compared to the six months ended 30 June 2016.
- Net profit[1, 3] increased by approximately RMB99.6 million or approximately 34.3% to approximately RMB389.6 million, as compared to the six months ended 30 June 2016.

Notes:

1 The financial information of Shanghai CP Guojian Pharmaceutical Co., Ltd. (now known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業 (上海) 股份有限公司), "**Sunshine Guojian**") was consolidated into the Group's financial statements since 1 April 2016.

2 The normalized EBITDA increased by approximately RMB112.1 million or approximately 20.2% to approximately RMB667.0 million, as compared to the six months ended 30 June 2016. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the expenses incurred in relation to the issuance of the Bonds (as defined below); (b) the option expenses associated with options granted on 2 February 2017; (c) the expenses incurred in relation to the acquisition of Sunshine Guojian; (d) the warrant expenses associated with the issue of the warrants granted to the management of Sunshine Guojian (the "**Sunshine Guojian Warrants**") on 1 January 2015; and (e) the income associated with the fair value gain of the approximately 28.8% equity interests in Sunshine Guojian previously acquired by the Group in 2014 and 2015.

3 The normalized net profit increased by approximately RMB49.0 million, or approximately 13.8%, to approximately RMB403.8 million, as compared to the six months ended 30 June 2016. The normalized net profit is defined as the profit for the period excluding the same items as listed in Note 2 above.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of 3SBio Inc. ("**3SBio**" or the "**Company**") 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 2017, together with the comparative figures for the corresponding period in 2016 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	**2017**	2016
		(unaudited)	(unaudited)
		RMB'000	*RMB'000*
REVENUE	*4*	**1,706,735**	1,304,866
Cost of sales		**(249,647)**	(171,687)
Gross profit		**1,457,088**	1,133,179
Other income and gains	*4*	**35,412**	52,852
Selling and distribution expenses		**(654,906)**	(470,882)
Administrative expenses		**(140,118)**	(161,725)
Other expenses and losses	*5*	**(149,060)**	(117,816)
Finance costs	*6*	**(60,098)**	(74,456)
Share of losses of associates		**(5,038)**	(8,557)
PROFIT BEFORE TAX	*5*	**483,280**	352,595
Income tax expense	*7*	**(93,729)**	(62,600)
PROFIT FOR THE PERIOD		**389,551**	289,995
Attributable to:			
Owners of the parent		**392,764**	286,852
Non-controlling interests		**(3,213)**	3,143
		389,551	289,995
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
— Basic (RMB)	*9*	**0.16**	0.11
— Diluted (RMB)	*9*	**0.15**	0.11

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**389,551**	289,995
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Change in fair value of available-for-sale investments, net of tax	**(2,668)**	584
Exchange differences on translation of foreign operations	**(45,288)**	(9,116)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(47,956)**	(8,532)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(47,956)**	(8,532)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**341,595**	281,463
Attributable to:		
Owners of the parent	**344,808**	278,320
Non-controlling interests	**(3,213)**	3,143
	341,595	281,463

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017 (unaudited) *RMB'000***	31 December 2016 (audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,779,229**	1,762,813
Prepaid land lease payments		**294,709**	298,632
Goodwill		**4,044,403**	4,126,180
Other intangible assets		**2,234,101**	2,288,500
Advance payments for property, plant and equipment		**24,671**	37,971
Investment in a joint venture		**142**	134
Investments in associates		**80,264**	85,575
Long-term receivables		**82,517**	79,517
Available-for-sale investments		**47,410**	50,000
Deferred tax assets		**66,624**	65,794
Other non-current assets		**105,211**	2,955
Total non-current assets		**8,759,281**	8,798,071
CURRENT ASSETS			
Inventories		**277,103**	262,438
Trade and notes receivables	*11*	**1,028,389**	785,543
Prepaid expenses and other receivables		**175,311**	140,981
Available-for-sale investments		**22,754**	362,172
Derivative financial instruments		**311**	2,613
Cash and cash equivalents		**500,986**	677,598
Pledged deposits		**658**	9,386
Total current assets		**2,005,512**	2,240,731
CURRENT LIABILITIES			
Trade payables	*12*	**65,212**	58,792
Other payables and accruals		**518,023**	502,070
Deferred income		**17,611**	25,020
Interest-bearing bank borrowings	*13*	**721,539**	518,461
Tax payable		**62,761**	39,276
Total current liabilities		**1,385,146**	1,143,619
NET CURRENT ASSETS		**620,366**	1,097,112
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,379,647**	9,895,183

	Notes	30 June 2017 (unaudited) *RMB'000*	31 December 2016 (audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*13*	**1,685,682**	2,540,682
Deferred income		**264,637**	269,980
Deferred tax liabilities		**287,759**	294,396
Other liabilities		**23,824**	23,783
Total non-current liabilities		**2,261,902**	3,128,841
Net assets		**7,117,745**	6,766,342
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**155**	155
Share premium		**4,367,719**	4,367,719
Reserves		**2,509,241**	2,154,625
		6,877,115	6,522,499
Non-controlling interests		**240,630**	243,843
Total equity		**7,117,745**	6,766,342

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Laws on 9 August 2006. It was listed on the National Association of Securities Dealers Automated Quotation (the "**NASDAQ**") on 7 February 2007. On 29 May 2013, the Company was delisted from the NASDAQ. The registered office address of the Company is the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2017, the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in the development, production, marketing and sale of pharmaceutical products in the People's Republic of China (the "**PRC**") except for Hong Kong and Macau ("**Mainland China**").

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.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The unaudited interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand, except when otherwise indicated.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2017. The Group has not previously adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

(a) Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

(b) Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments to IAS 12 retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Annual Improvements Cycle — 2014 – 2016

Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments did not have any impact on the Group.

3. OPERATING SEGMENT INFORMATION

The Group has only one operating segment, which is the development, production, marketing and sales of pharmaceuticals.

4 REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,714,112**	1,310,891
Less: Business tax and government surcharges	**(7,377)**	(6,025)
	1,706,735	1,304,866
Other income		
Bank interest income	**10,012**	13,321
Government grants related to		
— Assets	**10,074**	8,288
— Income	**12,581**	21,903
Technical service income	**1,593**	—
Distribution received from an associate	**—**	2,155
Others	**1,152**	1,068
	35,412	46,735
Gains		
Fair value gain on the revaluation of investment in an associate	**—**	6,117
	—	6,117
	35,412	52,852

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**249,647**	171,687
Depreciation of items of property, plant and equipment	**61,612**	42,733
Amortisation of other intangible assets	**52,716**	30,412
Amortisation of prepaid land lease payments	**3,923**	2,574
Amortisation of long-term deferred expenditures	**1,102**	679
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**310,877**	217,206
Equity-settled compensation expenses	**9,808**	(7,371)
Pension scheme contributions	**22,492**	12,628
Social welfare and other costs	**19,929**	10,824
	363,106	233,287
Other expenses and losses:		
Research and development costs	**113,055**	109,603
Donation outlay	**15,150**	4,438
Loss on disposal of items of property, plant and equipment	**110**	912
Provision/(reversal of provision) for impairment of trade receivables	**6,816**	(3,292)
Provision for impairment of investment in an associate	**—**	1,354
Reversal of provision for impairment of other receivables	**—**	(1,770)
Foreign exchange differences	**5,214**	4,176
Fair value loss on derivative financial instruments	**2,276**	1,278
Technical service cost	**5,749**	—
Others	**690**	1,117
	149,060	117,816

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Interest on bank borrowings repayable within five years	**60,098**	74,456

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit 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 2017 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. (formerly known as Shanghai CP Guojian Pharmaceutical Co., Ltd., "**Sunshine Guojian**"), Shanghai National Engineering Research Center of Antibody Medicine ("**NERC**"), Shenzhen Sciprogen Bio-pharmaceutical Technology Co., Ltd. ("**Sciprogen**") and Zhejiang Wansheng Pharmaceutical Co., Ltd. ("**Zhejiang Wansheng**"), all of which enjoy 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 relevant Italian tax regulations, Sirton Pharmaceuticals S.p.A ("**Sirton**") is subject to income tax at a rate of 31.4%.

Shenyang Sunshine, Sunshine Guojian, NERC, Sciprogen and Zhejiang Wansheng, which qualify as High and New Technology Enterprises, are subject to a preferential income tax rate of 15% for the six months ended 30 June 2017.

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. A lower withholding tax rate of 5% 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	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Current	**101,076**	74,300
Deferred	**(7,347)**	(11,700)
Total tax charge for the period	**93,729**	62,600

8. DIVIDENDS

	For the six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Proposed and declared dividend	**—**	—

No dividends were declared or paid by the Company during the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2017 attributable to equity holders of the parent of RMB392,764,000 (for the six months ended 30 June 2016: RMB286,852,000) and the weighted average of 2,532,313,570 (for the six months ended 30 June 2016: 2,515,408,014) ordinary shares of the Company in issue during the reporting period, as adjusted to reflect the issue of ordinary shares during the reporting period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to equity holders of the parent, the weighted average number of ordinary shares used in the calculation of the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at the exercise price on the deemed exercise 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	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to equity holders of the parent	**392,764**	286,852

	For the six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period	**2,532,313,570**	2,515,408,014
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**39,440,692**	28,152,578
	2,571,754,262	2,543,560,592

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2017	31 December 2016
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Carrying amount at 1 January	**1,762,813**	450,254
Additions	**76,011**	119,921
Acquisition of subsidiaries	**—**	1,296,355
Depreciation provided during the period/year	**(61,612)**	(102,338)
Disposals	**(252)**	(2,515)
Exchange realignment	**2,269**	1,136
Carrying amount at 30 June/31 December	**1,779,229**	1,762,813

A freehold land with a carrying amount of approximately RMB3,946,000 as at 30 June 2017 (31 December 2016: RMB3,721,000) is situated in Italy.

The Group was in the process of applying for the title certificates of certain of its buildings with an aggregate book value of approximately RMB8,468,000 as at 30 June 2017 (31 December 2016: RMB8,738,000). 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 does not have any significant impact on the Group's financial position as at 30 June 2017.

Group did not have any pledged property, plant and equipment as at 30 June 2017 (31 December 2016: pledged property, plant and equipment with a net book value of approximately RMB39,552,000) as security for the Group's interest-bearing bank borrowings (note 13).

11. TRADE AND NOTES RECEIVABLES

	30 June 2017 (unaudited) *RMB'000*	31 December 2016 (audited) *RMB'000*
Trade receivables	**954,209**	688,396
Notes receivable	**93,818**	108,767
	1,048,027	797,163
Provision for impairment of trade receivables	**(19,638)**	(11,620)
	1,028,389	785,543

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 large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date, is as follows:

	30 June 2017 (unaudited) *RMB'000*	31 December 2016 (audited) *RMB'000*
Within 1 month	**574,268**	286,241
1 to 3 months	**292,626**	356,288
4 to 6 months	**24,468**	20,392
Over 6 months to 1 year	**43,209**	13,855
1 to 2 years	**10,642**	4,547
Over 2 years	**8,996**	7,073
	954,209	688,396

The Group has no notes receivable pledged as at 30 June 2017 (31 December 2016: pledged notes receivable amounted to approximately RMB30,940,000) as security for the Group's interest-bearing bank borrowings (note 13).

12. TRADE PAYABLES

An aged analysis of the trade payables of the Group, based on the invoice date, is as follows:

	30 June 2017 (unaudited) *RMB'000*	31 December 2016 (audited) *RMB'000*
Within 3 months	**42,249**	44,154
3 to 6 months	**12,980**	6,833
Over 6 months	**9,983**	7,805
	65,212	58,792

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

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2017 (unaudited) *RMB'000*	31 December 2016 (audited) *RMB'000*
Current		
Short-term bank borrowings, secured	**621,539**	518,461
Short-term bank borrowings, unsecured	**100,000**	—
	721,539	518,461
Non-current		
Long-term bank borrowings, secured	**1,685,682**	2,540,682
Total	**2,407,221**	3,059,143

	30 June 2017 (unaudited) *RMB'000*	31 December 2016 (audited) *RMB'000*
Analysed into:		
Bank borrowings:		
Within one year or on demand	**721,539**	518,461
In the second year	**1,028,682**	845,709
In the third to fifth years, inclusive	**657,000**	1,694,973
	2,407,221	3,059,143

	30 June 2017 (unaudited) *RMB'000*	31 December 2016 (audited) *RMB'000*
Interest-bearing bank borrowings denominated in:		
— RMB	**957,000**	1,192,000
— Hong Kong Dollar ("**HKD**")	**1,450,221**	1,867,143
Total	**2,407,221**	3,059,143

Notes:

(i) The bank borrowings bear fixed interest rates varied from 2.5% to 4.65% per annum and are secured by equity interests in the subsidiaries of the Group, pledged deposits, notes receivable, Group's land and buildings situated in Shenyang and Shenzhen.

(ii) The carrying amounts of the short-term bank borrowings approximate to their fair values.

14. SHARE CAPITAL

Shares	30 June 2017 (unaudited) *RMB'000*	31 December 2016 (audited) *RMB'000*
Issued and fully paid:		
2,532,313,570 (31 December 2016: 2,532,313,570) ordinary shares	**155**	155

A summary of movements in the Company's issued share capital for the six months ended 30 June 2017 is as follows:

	Number of shares in issue	Share capital (unaudited) *RMB'000*	Share premium (unaudited) *RMB'000*	Total (unaudited) *RMB'000*
Ordinary shares of USD0.00001 each at 30 June 2017 and 31 December 2016	2,532,313,570	155	4,367,719	4,367,874

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview and Key Events

3SBio is a leading biotechnology company in the People's Republic of China (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), Yisaipu (益賽普), recombinant human erythropoietin ("**rhEPO**") products of EPIAO (益比奧) and SEPO (賽博爾), all four products being market leaders in China. TPIAO is the only commercialized recombinant human thrombopoietin ("**rhTPO**") product in the world. According to the data of IMS Health Inc. ("**IMS**"), the China market share of TPIAO increased to 45.8% for the treatment of thrombocytopenia in the first half of 2017. Yisaipu is a TNF α inhibitor product with a dominant market share in China of 58.6% in the first half of 2017, according to IMS. According to IMS, the Group, with its two rhEPO products EPIAO and SEPO, has been the dominant market leader in the China rhEPO market for more than a decade, with a total market share of 42.4% in the first half of 2017. The Group expects that the diabetes products licensed from AstraZeneca PLC ("**AstraZeneca**") and Lilly China will become its core products with the consolidation of Humulin (優泌林) ("**Humulin**") beginning from 1 July 2017.

The Ministry of Human Resources and Social Security of the PRC published the 2017 National Reimbursement Drug List ("**NRDL**") on 23 February 2017. Three of the Group's products, namely Yisaipu, TPIAO and Qiming Keli (芪明顆粒), are included in this list. The Group is of the view that this development will enhance its penetration into the hospitals in its coverage and allow its further expansion to lower-tier cities and hospitals, which will in turn enable the Group to satisfy treatment needs by providing affordable and high quality medicines to a wider patient base.

On 16 May 2017, 3SBio announced that its subsidiaries have entered into a strategic cooperation agreement with the subsidiary of Eli Lilly and Company (NYSE: LLY) ("**Lilly**"), Lilly China (and its affiliate), pursuant to which, the Group has been granted the exclusive right of distribution and promotion of Humulin, an insulin product of Lilly, in China from 1 July 2017 onwards. Pursuant to the agreement, leveraging on its nationwide sales network and its existing metabolic disease related resources, the Group has established a marketing and promotion team which will cover a wide array of diabetes products (including Humulin). Lilly China will be responsible for the production and supply of the Humulin products produced in accordance with its global quality standards. Both parties have been cooperating closely to ensure a smooth transition.

As announced on 8 June 2017, the Group has received the marketing authorization for EPIAO (authorization no. UA/15976/01/03) from the Ministry of Health of Ukraine. The authorization is valid for the entire territory of Ukraine until 13 May 2022. Ukraine is a member of the Pharmaceutical Inspection Co-operation Scheme (the "**PIC/S**"). PIC/S is a non-binding and informal co-operative arrangement between regulatory authorities in the field of Good Manufacturing Practices of medicinal products for human or veterinary use. PIC/S presently comprises 49 participating authorities from Europe, Africa, America, Asia and Australia. The marketing authorization received from a PIC/S member will facilitate the review process by other PIC/S members and benefit the Group's international registration in PIC/S countries and its further expansion into the highly regulated markets.

On 24 May 2017, the Group has received an approval from the China Food and Drug Administration ("**CFDA**") to conduct clinical trials for additional indications of TPIAO for the treatment of surgery patients with hepatic dysfunction at the risk of thrombocytopenia. In addition, TPIAO has received a priority review status from the CFDA for an investigation new drug ("**IND**") in pediatric immune thrombocytopenia (immune thrombocytopenia, "**ITP**") indication in February 2017.

The Group, through Strategic International Group Limited, a direct wholly-owned subsidiary of the Company, conducted an international offering of the Euro-denominated zero-coupon convertible bonds ("**Bonds**") in an aggregate principal amount of €300,000,000 due 2022, which is unconditionally and irrevocably guaranteed by the Company. The issue of the Bonds was completed on 21 July 2017. The listing of and permission to deal in the Bonds became effective on 24 July 2017. The successful issue of the Bonds represents an opportunity for 3SBio to improve the liquidity position of the Group, to reduce the financing costs of the Group and to raise further working capital of the Group. Further information regarding the Bond is provided in the 3SBio's announcements made on 12 July 2017, 13 July 2017 and 21 July 2017, respectively.

Key Products

TPIAO is the Group's in-house 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 CFDA for two indications: the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and ITP. TPIAO has the advantages of higher efficacy, faster platelet recovery and fewer side effects as compared to alternative treatments for CIT and ITP. In "The Consensus of Chinese Experts on Diagnosis and Treatment of Adult Primary Immune Thrombocytopenia" (2016 Version), rhTPO products are included as the first choice recommendation for the second tier treatments list, and are recommended among medicines to boost platelet production in certain emergencies cases. TPIAO is included in the 2017 NRDL as a Class B Drug (No. 214) for the treatment of severe CIT in patients with solid tumors or ITP. TPIAO has experienced significant sales growth due to increasing physician awareness of its safety and efficacy as a treatment for CIT and ITP and its quick adoption in China. The Group believes that TPIAO is still at an early stage of its product life cycle. The Group estimates that the penetration rates for both CIT and ITP indications in China may be approximately 13% to 17%. Currently, the majority of the Group's sales of TPIAO is generated from approximately 13% of the hospitals covered by the Group's sales team. On 24 May 2017, the Group has received an approval from the CFDA to conduct clinical trials for additional indications of TPIAO for the treatment of surgery patients with hepatic dysfunction at the risk of thrombocytopenia. In addition, TPIAO has received a priority review status from the CFDA for an IND in pediatric ITP indication in February 2017. TPIAO received marketing authorization from the Ministry of Public Health of Ukraine, a PIC/S member, for the treatment of CIT in patients with solid tumors on 24 June 2016. The Group is applying for approval to initiate clinical trials of TPIAO in the United States, India and Mexico.

Yisaipu, generically known as etanercept, is a TNF α inhibitor product. It was first launched in 2005 in China for rheumatoid arthritis ("**RA**"). Its indications were expanded to ankylosing spondylitis ("**AS**") and psoriasis in 2007. The Group actively participated and helped develop an experts consensus titled "The Experts Consensus on the Treatment of Childhood Idiopathic Arthritis", published on the Journal of Clinical Pediatrics (2011, 29(6), pages 587–591); in addition, the Group actively participated in "The Rheumatoid Arthritis Treatment Guidance" and "The Ankylosing Spondylitis Treatment Guidance", both authoritative documents issued by the

China Medical Association, and Yisaipu is adopted in the two guidances under 'Etanercept' as one of the RA and AS treatment options. Yisaipu is included in the 2017 NRDL as a Class B Drug (No. 846) for the treatment of patients with confirmed diagnosis of RA, and for the treatment of patients with confirmed diagnosis of AS (not including pre-radiographic axial spondyloarthritis), both with certain medical prerequisites. Yisaipu has experienced significant growth as the first-to-market Etanercept product in China, with a dominant market share in China of 58.6% by sales in the first half of 2017, according to IMS. The sales coverage of Yisaipu extends to more than 2,000 hospitals in China, including over 1,000 Grade III hospitals. The Group believes that Yisaipu is still at early stage of its product life cycle. The Group estimates that the penetration rates for both RA and AS in China are less than 5%. Currently, the majority of the Group's sales of Yisaipu is generated from approximately 9% of the hospitals covered by the Group's sales team. The prefilled syringe of Yisaipu in the Group's pipeline is the only product of its kind in China, of which the Group has completed the Phase III trial and is expecting to apply for manufacturing approval in the fourth quarter of 2017. The Group is of the view that the prefilled syringe of Yisaipu will improve patients convenience and contribute to further growth of Yisaipu. Yisaipu has been approved in nine countries and is in the process of being registered in 18 countries.

EPIAO is still the only rhEPO product approved by the CFDA for 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 is included in the NRDL as a category B drug in China since 2000. EPIAO has consistently been the dominant market leader in China rhEPO market since 2002 in terms of both volume and value. EPIAO is the only rhEPO product in China available at 36,000 IU (international unit per vial) dosage, and together with SEPO, claims the majority of the PRC rhEPO market share at 10,000 IU dosage. Future growth for EPIAO may be driven by: (1) the increase of the dialysis penetration rate among stages IV and V CKD patients, which the Group believes is substantially lower in China as compared with other countries; and (2) the increase in the applications of EPIAO in reducing allogeneic blood transfusion and in CIA oncology indication in China, which the Group believes at a very early stage of growth. With contribution from the second brand of the Group's rhEPO products, SEPO, market coverage of the Group's rhEPO products has expanded in Grade II and Grade I hospitals, where sales of its rhEPO products have been experiencing significant growth. The Group expects that SEPO will continue to gain market share in the rhEPO market. As announced on 8 June 2017, the Group has received the marketing authorization for EPIAO in Ukraine, a PIC/S member country. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand have made good progress, with patients recruitment for the maintenance period to be completed by the end of 2017. The trials are expected to be completed by 2018.

Byetta, generically known as "exenatide injection", is an injectable glucagon-like peptide-1 (GLP-1) receptor agonist, or GLP-1 receptor agonist, administered twice daily as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus, which is indicated for treatment of patients who have not achieved adequate glycaemic control on metformin, sulphonylureas, or metformin plus sulphonylureas. Byetta is licensed from AstraZeneca, and the Group started to record the revenue of Byetta from October 2016.

Qiming Keli, Man Di (蔓迪), Di Su (迪蘇) and Lai Duo Fei (萊多菲) are a group of dermatology and ophthalmology drugs, indicated to treat diabetic retinopathy, alopecia areata, chronic bronchitis and chronic idiopathic urticaria, respectively. Qiming Keli is included in the 2017 NRDL as a Class B Traditional Chinese Medicine (No. 1004) for the treatment of non-proliferative retinopathy caused by type 2 diabetes.

Product Pipeline

As at 31 July 2017, amongst the 25 product candidates within the Group's active pipeline, 16 were being developed as National Class I New Drugs (國家一類新藥) in China. The Group has nine product candidates in oncology, including seven mAb therapeutics; nine product candidates (including new indications) that target auto-immune diseases including RA, and other diseases such as refractory gout and age-related macular degeneration; three product candidates in nephrology, which include the next-generation erythropoiesis-stimulating agents; two product candidates in the metabolic area that target type 2 diabetes; and two product candidates in dermatology.

Robust and Innovative Product Pipeline Supported by Integrated Research and Development Platform and Collaboration with Industry Leaders and International Partners

Therapeutic Area	Product Candidate	Intended Indication	Development Status	Classification
Nephrology	SSS06	Anemia associated with CKD	Phase I (completed)	Class I Biologics
	RD001	Anemia associated with CKD	Phase I	Class I Biologics
	SSS17	Anemia	Pre-clinical	Class I Chemical Drug
Oncology	302	Metastatic breast cancer, etc	New Drug Approval ("**NDA**")	Class I mAb
	304	Non-Hodgkin lymphomas	NDA	Class I mAb
	602	Metastatic colorectal cancer	Phase I	Class I mAb
	SSS23	Cancer	Pre-clinical	Class I mAb
	701	Metastatic breast cancer	IND	Biosimilar mAb
	601t	Cancer	IND	Biosimilar mAb
	609	Cancer	Pre-clinical	Class I mAb
	SSS24	Colorectal cancer	Phase I	Class III Chemical Drug
	SSS22	Solid tumors	Phase I	Class I Chemical Drug
Auto-Immune Diseases and Other Areas	301 (Prefilled Syringe)	RA	Pre-NDA	Class I mAb
	SSS07	RA	Phase Ib	Class I mAb
	601a	Age-related Macular Degeneration	IND	Class I mAb
	SSS11	Refractory gout	Phase I (SEL-212 (SVP-Rapamycin in combination with pegsiticase) in US Phase II)	Class I Biologics
	TPIAO	Pediatric ITP	IND	Class I Biologies
		Surgery patients with chronic hepatic diseases with thrombocytopenia	Phase I	Class I Biologics
	608	Psoriasis, RA	Pre-clinical	Class I mAb
	SSS20	ITP	Phase I	Class III Chemical Drug
	AP506	Psoriatic arthritis	Phase I	Class III Chemical Drug

Therapeutic Area	Product Candidate	Intended Indication	Development Status	Classification
Metabolic	Bydureon single dose tray	Type 2 diabetes	Import Drug Approval ("**IDA**")	Imported drug
	Bydureon dual chamber pen	Type 2 diabetes	IDA	Imported drug
Dermatology	KW303	Acne vulgaris	Phase III	Class III Chemical Drug
	BK011	Inflammatory & Pruritic skin diseases	NDA approved	Class IV Chemical Drug

Research and Development ("R&D")

The Group's integrated R&D expertise covers the areas of discovery and development of a variety of biopharmaceutical products including molecular cloning, gene expression, cell line construction and process development, as well as design and management of pre-clinical and clinical trials, manufacturing process development and analytic process development for quality control and assurance. The Group is experienced in R&D of mammalian cell-expressed, bacterial cell-expressed and chemically-synthesized pharmaceuticals.

The Group focuses its R&D efforts on developing its leading biologic products, including NuPIAO (the second-generation rhEPO product of the Group), SSS07 (the anti-TNFα mAb product which the Group acquired from Apexigen Inc.), Pegsiticase (a modified pegylated recombinant uricase from candida utilis developed to treat refractory gout), 602 (an anti-epidermal growth factor receptor antibody), and prefilled syringe of Yisaipu.

The Group has completed multiple Phase I trials of NuPIAO in anemic patients, and is preparing to file an application for Phase II and Phase III clinical trials for NuPIAO in China in the second half of 2017.

The Group has completed the Phase Ia clinical trial for SSS07 in healthy volunteers in China, and has initiated the Phase Ib trial in patients with RA in the second quarter of 2017.

The Group has completed the Phase III trial of prefilled syringe of Yisaipu and is expected to apply for manufacturing approval in the fourth quarter of 2017.

Bydureon single dose tray ("**SDT**"), a product the Group licensed from AstraZeneca in 2016 for the treatment of type 2 diabetes, was put on the clinical trial inspection list by the CFDA on 18 August 2017. The inspection is expected to take place prior to the end of 2017. Upon a successful clinical inspection by the CFDA, Bydureon SDT could possibly gain a marketing approval in China by the first quarter of 2018. Bydureon SDT thus may become the first-to-market weekly-administered GLP-1 receptor agonist product in China.

Fluticasone Propionate Cream, a product with broad applications in the treatment of a variety of dermatological disorders, gained a marketing approval by the CFDA on 26 July 2017. The Group is in preparation to launch the product in the fourth quarter of 2017.

As announced on 5 January 2017, the Group has received an IND approval for clinical trials for Pegsiticase from the CFDA. Clinical trials for the product are planned to start in the second half of 2017. The Group's business partner, Selecta Biosciences, Inc. (NASDAQ: SELB), is conducting Phase II trials for SEL-212 (SVP-Rapamycin in combination with pegsiticase as licensed from the Group) in the United States. Their study has shown positive results in reducing uric acid levels while having significantly fewer patients experiencing gout flares during treatment. Selecta will initiate a Phase III trial in 2018.

On 24 May 2017, the Group received an IND approval for clinical trials from the CFDA for TPIAO in surgery patients with chronic hepatic diseases with thrombocytopenia. In addition, TPIAO received a priority review status from the CFDA for an IND in pediatric ITP indication in February 2017.

As disclosed previously in the Company's 2016 Annual Report, the Group filed three IND applications during 2016, for an anti-vascular endothelial growth factor ("**anti-VEGF**") antibody indicated for the treatment of age-related macular degeneration, an anti-VEGF antibody for the treatment of solid cancers, and an anti-HER2 antibody-drug conjugate indicated for the treatment of HER2-positive metastatic breast cancer. The Group is expected to receive regulatory approval for clinical trials for these IND applications in the second half of 2017 or the first quarter of 2018.

The Group is preparing several new IND applications, including an anti-VEGF antibody for the treatment of various ophthalmic diseases, to be filed by the end of 2017.

During the period from 2009 to 2013, the Group conducted an open label, multi-center, perspective Phase III trial in China with a humanized anti-HER2 antibody, trastuzumab (賽普汀), in patients with HER2 over-expressing metastatic breast cancer. A total of 26 hospitals and clinical centers participated in the study. A group of 341 eligible patients were randomized into two groups, one receiving trastuzumab plus vinorelbine (長春瑞濱), the other group receiving vinorelbine until either intolerance due to toxicity or disease progression, followed by switching to trastuzumab as a single agent. The final results showed that there was a significant prolongation in progression-free survival (PFS) and greater reduction in the risk of disease progression in patients who received trastuzumab plus vinorelbine in combination, as compared to those receiving chemotherapy alone or chemotherapy followed by trastuzumab. The overall objective response rate (ORR) was also significantly higher in the patient group which received trastuzumab plus vinorelbine in combination. There was no significant difference in the occurrence of systemic toxicities and serious adverse events between the two treatment groups. The Group has recently completed an internal review of all the data associated with trastuzumab clinical studies, and has retained a third-party clinical study audit firm to perform a further and thorough audit of all the clinical sites and the associated clinical data. The Group expects to receive the final audit result in the near future. Upon receiving the audit result, the Group shall make a decision on the plan and strategy to move forward with the aim to re-submiting a NDA to the CFDA in order to register trastuzumab in China as a safe and efficacious therapeutic biologics medicine for the treatment of patients with HER2 over-expression metastatic breast cancer.

The Group's R&D team of experienced researchers and scientists under the leadership of Dr. ZHU Zhenping, the chief scientific officer of the Company, is working diligently to research and discover new medicines, to accelerate the progress of clinical development, and to bring breakthrough therapies to fulfill the treatment needs of patients.

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 sales and marketing team. The Group sells these products to distributors who are responsible for delivering products to hospitals and other medical institutions. The Group relies on third-party promoters to market certain products.

As at 30 June 2017, the Group's extensive sales and distribution network in China was supported by approximately 2,136 sales and marketing employees, 260 distributors and 1,374 third-party promoters. As at 30 June 2017, the Group's sales team covered approximately 2,000 Grade III hospitals and approximately 6,000 Grade II or lower hospitals and medical institutions, reaching all provinces, autonomous regions and special municipalities in 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.

After the acquisition of Sunshine Guojian and with the in-license of the AstraZeneca diabetes products (including Byetta and other products), Sunshine Guojian's sales team and Byetta's sales team were integrated into the Group's commercialization platform as two new business units. With the in-license of Humulin from Lilly China, the Group will further expand diabetes sales team to promote Humulin in China.

Outlook

The Group intends to leverage its position as the leading biopharmaceutical company in China to continue to build its strength in R&D, commercial and manufacturing platforms. The Group plans to boost the revenue of its launched products through further penetration into the hospitals currently covered by the Group's sales and marketing team and new hospitals to be covered, and through continuous education within the medical profession. With the three products (including two key products) included in the NRDL in 2017, the Group is of the view that this development will enhance its penetration into the hospitals under its coverage and allow its further expansion to lower-tier cities and hospitals. The Group focuses on developing leading biologic products, including NuPIAO, SSS07, Pegsiticase, 602, prefilled syringe of Yisaipu and other mAb products, and fully integrates various R&D functions and platforms within the Group to accelerate the development of biologic products in the core therapeutic areas, which would enable the Group to provide a variety of treatment options for patients. The Group prioritizes pipeline products to refocus on key therapeutic areas and biologic products. With the Group's approximately 38,000-liter capacity mAb facility, as well as mammalian cell-based, bacteria cell-based and small molecule manufacturing facilities, the Group is able to manufacture high quality pharmaceutical products with scalable manufacturing capacity, which will in turn enable the Group to further satisfy treatment needs. The manufacturing capability of the Group provides a solid foundation for the Group to achieve the strategic objective of creating profitable contract development and manufacturing organisation (CDMO) business, leveraging on its existing CDMO assets.

The Group continues to seek selective merger and acquisition and collaboration opportunities to enrich its existing product portfolio and pipeline so as to provide growth engine for the long term. The strategic collaboration with AstraZeneca and Lilly China helps the Group to expand product lines and brings it into the field of diabetes, a major chronic disease, which is an affirmation of the Group being the partner of choice to leading pharmaceutical companies around the world, and lays a foundation for the Group to launch future strategic collaborations. The Group is expanding international sales through registration of existing products in new countries and registration of new products through either innovative or biosimilar pathway, in highly regulated markets.

Financial Review

Revenue

For the six months ended 30 June 2017, the Group's revenue amounted to approximately RMB1,706.7 million, as compared to approximately RMB1,304.9 million for the six months ended 30 June 2016, representing an increase of approximately RMB401.9 million, or approximately 30.8%. The increase is mainly attributable to the sales growth of the Group's key products and the consolidation of the revenues of Sunshine Guojian and Byetta into the Group's financial information since 1 April 2016 and 11 October 2016, respectively.

For the six months ended 30 June 2017, the Group's sales of TPIAO increased to approximately RMB492.6 million, as compared to approximately RMB405.3 million for the six months ended 30 June 2016, representing an increase of approximately RMB87.3 million, or approximately 21.5%. The increase is primarily attributable to an increase in sales volume, which in turn was primarily driven by the increase in recognition of TPIAO within the medical profession. For the six months ended 30 June 2017, sales of TPIAO accounted for approximately 28.7% of the Group's total sales of goods.

For the six months ended 30 June 2017, the Group's sales of Yisaipu increased to approximately RMB439.8 million, as compared to approximately RMB307.3 million for the six months ended 30 June 2016, representing an increase of approximately RMB132.5 million, or approximately 43.1%. The increase was mainly due to that Yisaipu was consolidated into the Group's financial information since 1 April 2016. As compared to the sales of Yisaipu from 1 January to 30 June 2016, the Group's sales of Yisaipu for the six month ended 30 June 2017 decreased slightly from approximately RMB446.3 million to approximately RMB439.8 million, representing a slight decrease of approximately RMB6.5 million, or approximately 1.5%. The decrease was primarily attributable to slower growth in sales volume, largely due to the restructuring of Yisaipu's sales team in the first half of 2017. The restructuring was implemented smoothly and the team is well positioned for long term growth. For the six months ended 30 June 2017, the sales of Yisaipu accounted for approximately 25.7% of the Group's total sales of goods.

For the six months ended 30 June 2017, the Group's sales of EPIAO and SEPO increased to approximately RMB409.0 million, as compared to approximately RMB388.7 million for the six months ended 30 June 2016, representing an increase of approximately RMB20.3 million, or approximately 5.2%. The increase was primarily attributable to an increase in sales volume, which in turn was primarily driven by the surging demand for rhEPO products in China. For the six months ended 30 June 2017, the Group's sales of SEPO increased to approximately RMB65.2 million, as compared to approximately RMB41.3 million for the six months ended 30 June 2016, representing a significant increase of approximately RMB23.8 million, or approximately 57.7%. For the six months ended 30 June 2017, the Group's sales of EPIAO decreased to approximately RMB343.9 million, as compared to approximately RMB347.4 million for the six months ended 30 June 2016, representing a slight decrease of approximately RMB3.5 million, or approximately 1.0%. The decrease was primarily attributable to a slight decrease in the ex-factory price. The second brand of the Group's rhEPO product, SEPO, performed strongly and expanded the market coverage. For the six months ended 30 June 2017, the sales of EPIAO and SEPO accounted for a total of approximately 23.9% of the Group's total sales of goods.

For the six months ended 30 June 2017, the Group's sales derived from Zhejiang Wansheng increased to approximately RMB121.4 million, as compared to approximately RMB92.3 million for the six months ended 30 June 2016, representing an increase of approximately RMB29.1 million, or approximately 31.6%. The Group's dermatology products performed strongly for the six months ended 30 June 2017.

For the six months ended 30 June 2017, the Group's sales of Byetta were approximately RMB85.2 million, which were consolidated into the Group's financial information since 11 October 2016.

For the six months ended 30 June 2017, the Group's export sales increased to approximately RMB37.0 million, as compared to approximately RMB19.7 million for the six months ended 30 June 2016, representing an increase of approximately RMB17.3 million, or approximately 87.7%. The increase was primarily attributable to an increase in sales in Thailand and the consolidation of Yisaipu's export sales into the Group's financial information since 1 April 2016.

For the six months ended 30 June 2017, the Group's sales of other products primarily included the contract manufacturing income derived from Sirton as well as the sales of IV Iron Sucrose and Sparin.

Cost of Sales

The Group's cost of sales increased from approximately RMB171.7 million for the six months ended 30 June 2016 to approximately RMB249.6 million for the six months ended 30 June 2017, which accounted for approximately 14.6% of the Group's total revenue for the same period. The primary reasons for the increase in the Group's cost of sales were the increased sales volume for the six months ended 30 June 2017, as compared to the corresponding period in 2016, and the consolidation of the costs of sales of Sunshine Guojian and Byetta into the Group's financial information since 1 April 2016 and 11 October 2016, respectively.

Gross Profit

For the six months ended 30 June 2017, the Group's gross profit increased to approximately RMB1,457.1 million, as compared to approximately RMB1,133.2 million for the six months ended 30 June 2016, representing an increase of approximately RMB323.9 million, or approximately 28.6%. 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 decreased to approximately 85.4% for the six months ended 30 June 2017 from approximately 86.8% for the corresponding period in 2016. The decrease was mainly attributable to the Group's consolidation of Byetta since 11 October 2016, which had a lower gross 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 and other miscellaneous income. For the six months ended 30 June 2017, the Group's other income and gains decreased to approximately RMB35.4 million, as compared to approximately RMB52.9 million for the six months ended 30 June 2016, representing a decrease of approximately RMB17.4 million, or approximately 33.0%. The decrease was mainly attributable to the decrease of government grants received by the Group and the decrease of fair value gain on the revaluation of investment in an associate. Generally, government grants would be received once the relevant projects reach certain milestones. We expect to continue to receive government grants with the progress of the Group's R&D projects.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff costs, transportation expenses, consulting fees and other miscellaneous selling and distribution expenses. For the six months ended 30 June 2017, the Group's selling and distribution expenses amounted to approximately RMB654.9 million, as compared to approximately RMB470.9 million for the six months ended 30 June 2016, representing an increase of approximately RMB184.0 million, or approximately 39.1%. The increase was mainly attributable to the increased promotional activities for the Group's products and the consolidation of the selling and distribution expenses of Sunshine Guojian and Byetta into the Group's financial information since 1 April 2016 and 11 October 2016, respectively. 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 2016 to approximately 38.4% for the six months ended 30 June 2017, primarily due to the consolidation of the selling and distribution costs of Byetta, which needs higher level of investments in marketing activities at the early stage of its product life cycle.

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 2017, the Group's administrative expenses amounted to approximately RMB140.1 million, as compared to approximately RMB161.7 million for the six months ended 30 June 2016, representing a decrease of approximately RMB21.6 million, or approximately 13.4%. The decrease was mainly due to a one-off advisory fee of RMB78.3 million for the acquisition of Sunshine Guojian as incurred during the six months ended 30 June 2016, which was partially offset by the consolidation of Sunshine Guojian's administrative expenses since 1 April 2016. Had the effects of the non-recurring items been excluded, the administrative expenses for the six months ended 30 June 2017 would have been approximately RMB125.9 million. The administrative expenses (excluding the aforementioned non-recurring items) as a percentage of revenue was approximately 7.4% for the six months ended 30 June 2017, as compared to approximately 7.0% for the corresponding period in 2016.

Other Expenses and Losses

The Group's other expenses and losses primarily consisted of its R&D costs. For the six months ended 30 June 2017, the Group's other expenses and losses amounted to approximately RMB149.1 million, as compared to approximately RMB117.8 million for the six months ended 30 June 2016, representing an increase of approximately RMB31.2 million, or approximately 26.5%. The increase was mainly due to the consolidation of Sunshine Guojian's R&D costs since 1 April 2016 and the increase in prescription assistance program (PAP) benefits for Byetta and Yisaipu to provide affordable and high quality medicines to patients with economic hardship.

Finance Costs

For the six months ended 30 June 2017, the Group's finance costs amounted to approximately RMB60.1 million, as compared to approximately RMB74.5 million for the six months ended 30 June 2016, representing a decrease of approximately RMB14.4 million, or approximately 19.3%. The decrease was mainly due to the decrease in the average monthly outstanding bank borrowings during the six months ended 30 June 2017, as compared to the corresponding period in 2016.

Income Tax Expense

For the six months ended 30 June 2017, the Group's income tax expense amounted to approximately RMB93.7 million, as compared to approximately RMB62.6 million for the six months ended 30 June 2016, representing an increase of approximately RMB31.1 million, or approximately 49.7%. The increase was mainly due to the increase of taxable income during the six months ended 30 June 2017, as compared to the corresponding period in 2016. The effective tax rates for the six months ended 30 June 2017 and the corresponding period in 2016 were 19.4% and 17.8% respectively. The increase in effective tax rate was mainly due to the increased offshore losses for the six months ended 30 June 2017, as compared to those for the six months ended 30 June 2016.

EBITDA and Net Profit

The EBITDA for the six months ended 30 June 2017 increased by approximately RMB162.6 million or approximately 33.2% to approximately RMB652.7 million, as compared to approximately RMB490.1 million for the six months ended 30 June 2016. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the expenses incurred in relation to the issuance of the Bonds; (b) the option expenses associated with options granted on 2 February 2017; (c) the expenses incurred in relation to the acquisition of Sunshine Guojian; (d) the warrant expenses associated with the issue of the Sunshine Guojian Warrants on 1 January 2015; and (e) the income associated with the fair value gain of the approximately 28.8% equity interests in Sunshine Guojian previously acquired by the Group in 2014 and 2015. The Group's normalized EBITDA for the six months ended 30 June 2017 increased by approximately RMB112.1 million or approximately 20.2% to approximately RMB 667.0 million, as compared to approximately RMB554.9 million for the six months ended 30 June 2016.

The net profit for the six months ended 30 June 2017 was approximately RMB389.6 million, as compared to approximately RMB290.0 million for the six months ended 30 June 2016, representing an increase of approximately RMB99.6 million, or approximately 34.3%. The normalized net profit is defined as the profit for the period excluding, as applicable: (a) the expenses incurred in relation to the issuance of the Bonds; (b) the option expenses associated with options granted on 2 February 2017; (c) the expenses incurred in relation to the acquisition of Sunshine Guojian; (d) the warrant expenses associated with the issue of the Sunshine Guojian Warrants on 1 January 2015; and (e) the income associated with the fair value gain of the approximately 28.8% equity interests in Sunshine Guojian previously acquired by the Group in 2014 and 2015. The Group's normalized net profit for the six months ended 30 June 2017 was approximately RMB403.8 million, as compared to approximately RMB354.8 million for the six months ended 30 June 2016, representing an increase of approximately RMB49.0 million, or approximately 13.8%. The normalized net profit grew slower than the revenue growth primarily due to the higher selling and distribution expenses of Byetta, which is at the early stage of product life cycle and requires a higher level of investment in its marketing activities.

Long term receivables

As at 30 June 2017, long term receivables represented the convertible loan provided to Zhejiang Sunshine Pharmaceutical Company Limited in a principal amount of RMB75.0 million with an interest amount of RMB7.5 million due at loan maturity.

Available-for-sale investments

As at 30 June 2017, available-for-sale investments primarily comprised the investment in treasury or cash management products issued by certain banks and the investment in a private equity fund which is focusing on investment in the healthcare industry.

Liquidity, Financial and Capital Resources

The Group's liquidity remained strong. For the six months ended 30 June 2017, the Group's operating activities generated a net cash inflow of approximately RMB350.4 million. As at 30 June 2017, the Group's cash and cash equivalents and time deposits (including pledged time deposits) were approximately RMB501.6 million.

Net Current Assets

As at 30 June 2017, the Group had net current assets of approximately RMB620.4 million, as compared to net current assets of approximately RMB1,097.1 million as at 31 December 2016. The current ratio of the Group decreased from approximately 2.0 as at 31 December 2016 to approximately 1.4 as at 30 June 2017. The decrease in net current assets was mainly due to the decrease in cash and cash equivalents after repaying bank loans and the increase in short-term interest-bearing bank borrowings as a replacement of long-term bank loans, so as to lower interest expenses.

Borrowing and the Pledge of Assets

As at 30 June 2017, the Group had an aggregate interest-bearing bank borrowings of approximately RMB2,407.2 million, as compared to approximately RMB3,059.1 million as at 31 December 2016. The decrease in bank borrowings primarily reflected the repayment of loans of RMB909.4 million, which was partially offset by the additional short-term bank loans of RMB300.0 million obtained in 2017. The short-term bank borrowings were obtained to replace long-term bank borrowings so as to lower interest expenses. Among the short-term deposits, none was pledged to secure bank loans as at 30 June 2017, as compared to RMB5.9 million pledged deposits as at 31 December 2016.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings by the total equity, decreased to approximately 33.8% as at 30 June 2017 from approximately 45.2% as at 31 December 2016. The decrease was primarily due to repayment of loans.

Contingent Liabilities

As at 30 June 2017, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB39.4 million as at 30 June 2017, as compared to approximately RMB180.3 million as at 31 December 2016.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in 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 RMB37.0 million, or approximately 2.2% of the Group's revenue, for the six months ended 30 June 2017. Except for the operations of Sirton, the Group's exports, potential international deal-making expenditures (such as related to international licensing and acquisitions), foreign currency denominated bank deposits and the Euro-dominated Bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 30 June 2017, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD21.3 million (equivalent to approximately RMB144.4 million) denominated in US dollars; and (2) approximately HKD5.1 million (equivalent to approximately RMB4.5 million) denominated in HK dollars. 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 2017, the Group did not have any significant investments.

Future Plans for Material Investments or Capital Assets

The Group estimates that the capital expenditure will be RMB200 million to RMB250 million per year for the next three years. These expected capital expenditures will primarily be incurred for the maintenance of the Group's existing facilities and the expansion of the Group's production capabilities. The Group expects to finance its capital expenditures through a combination of internally generated funds and bank borrowings.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2017, the Group employed a total of 3,690 employees, as compared to a total of 3,465 employees as at 31 December 2016. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB340.6 million for the six months ended 30 June 2017, as compared to approximately RMB228.0 million for the corresponding period in 2016. The Group generally formulated its employees' remuneration package to include salary, bonus and allowance elements. The compensation programs were designed to remunerate the employees based on their performance, 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 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 2017.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of members of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Except as expressly described below, the Company has complied with all applicable code provisions set out in the CG Code during the six months ended 30 June 2017.

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 of Hong Kong Limited (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 a separate chairman and chief executive officer. Mr. 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 continue to 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 have complied with the required standard as set out in the Model Code during the six months ended 30 June 2017, except that when the Company granted share options to The Empire Trust for the benefit of a list of its employees and other eligible beneficiaries as part of its incentive plans on 2 February 2017 (the "**Grant**"), the beneficiaries list contained certain Directors as disclosed in the Company's announcement dated 3 February 2017. The Grant was made in full compliance with the requirements (including the dealing restriction requirements) under Chapter 17 of the Listing Rules governing share option schemes, but fell into the black-out period for Directors' dealings in the shares of the Company under the Model Code, which deems the Grant to a Director as a dealing by the Director. Each of the relevant Directors has confirmed that save for the above deeming provision, he or she had not dealt in the shares of the Company during the blackout period and had acted in full compliance with the Model Code. The Grant is subject to vesting conditions and the share options are not yet vested.

The Company has paid due regard to the above and has taken immediate steps to remind the Directors and the management of the deeming provisions relating to grant of share options under the Model Code so as to prevent the occurrence of similar incidents.

SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

1. On 12 July 2017, the Group, through Strategic International Group Limited, a direct wholly-owned subsidiary of the Company, conducted an international offering of the Bonds in an aggregate principal amount of €300,000,000 at zero coupon, which is unconditionally and irrevocably guaranteed by the Company. The issue of the Bonds was completed on 21 July 2017. The listing of, and permission to deal in, the Bonds became effective on 24 July 2017. The Bonds will be convertible into approximately 188,363,445 ordinary shares in the share capital of the Company with a par value of USD0.00001 each (the "**Shares**"), representing approximately 7.44% of the issued share capital of the Company as at 12 July 2017 and approximately 6.92% of the issued share capital of the Company as at 12 July 2017 as enlarged by the issue of the Shares upon full conversion of the Bonds (such Shares, "**Conversion Share(s)**"). The net proceeds from the Bonds (after deduction of commissions and other related expenses) were approximately €294,905,274, representing a net issue price of approximately HKD14.04 per Conversion Share based on the initial conversion price applicable to the Bonds.

2. On 18 July 2017, a total of 6,483,320 Shares, representing approximately 0.26% of the issued share capital of the Company as at 18 July 2017, was issued pursuant to the exercise of the Sunshine Guojian Warrants, as a result of which the issued share capital of the Company increased to 2,538,796,890 Shares as at 18 July 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Other than the Bonds noted in "Significant Events Subsequent to the Reporting Period" above, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises of one non-executive Director and two independent non-executive Directors, namely Mr. PU Tianruo (chairman), Mr. WANG Steven Dasong, and Mr. MA Jun.

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 2017. The Audit Committee has also reviewed the effectiveness of the financial controls, 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 2017 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 2017. 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 2017 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 2017 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.
Mr. LOU Jing
Chairman

Shenyang, The PRC
28 August 2017

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