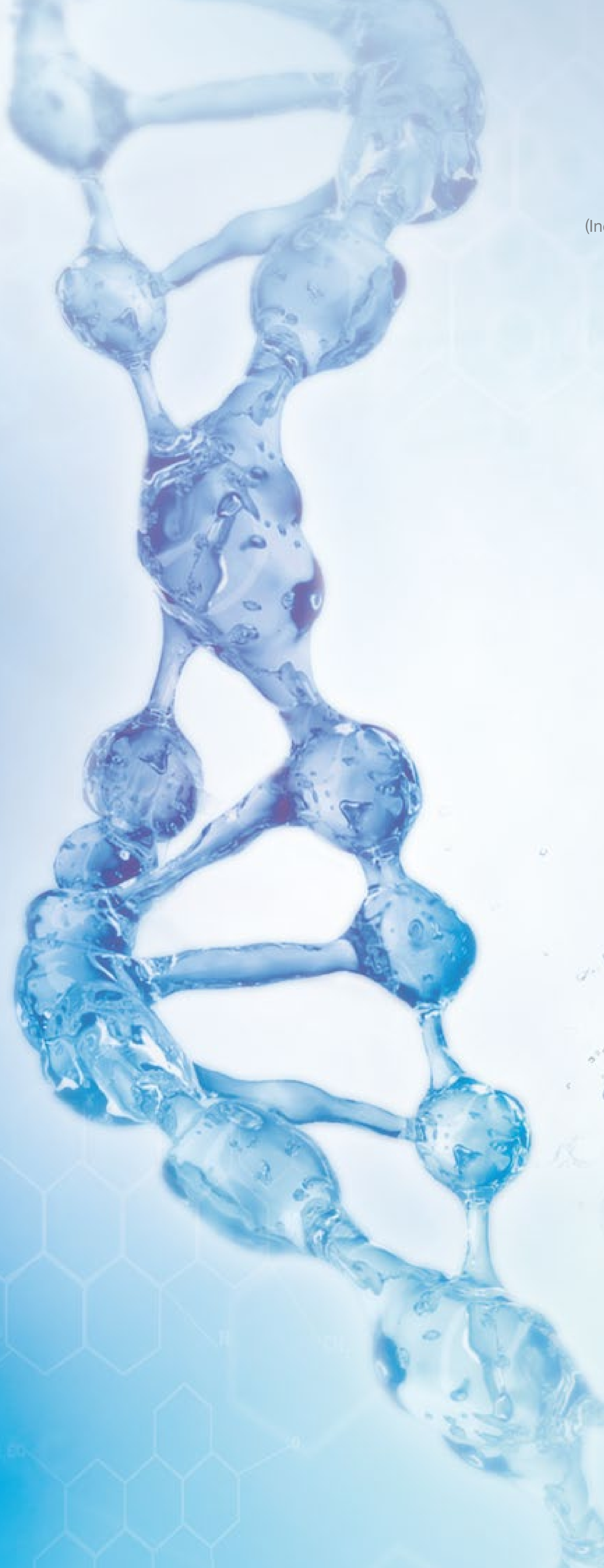

三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1530 | Convertible Bonds Code : 5241

2019 Interim Report

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Contents

Company Overview

3SBio Inc. (the "**Company**" or "**3SBio**", with its subsidiaries collectively, the "**Group**") 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, EPIAO (益比奧) and SEPO (賽博爾). All four products are market leaders in Mainland China[1]. TPIAO is the only commercialized recombinant human thrombopoietin ("**rhTPO**") product in the world. According to IQVIA[2], the market share, in terms of sales value, of TPIAO in Mainland China increased to 72.5% for the treatment of thrombocytopenia in the first half of 2019. Yisaipu is a Tumour Necrosis Factor α ("**TNF α**") inhibitor product with a continuing dominant market share in Mainland China of 61.9% in the first half of 2019. With its two rhEPO products, the Group has been the dominant market leader in the rhEPO market in Mainland China for nearly two decades, holding a total market share of 41.3% in the first half of 2019. The Group has been expanding its therapeutic coverage by adding products through internal research and development and various external strategic partnerships.

As at 30 June 2019, amongst the 32 product candidates within the Group's active pipeline, 22 were being developed as National Class I New Drugs (國家一類新藥) in Mainland China. The Group has 11 product candidates in oncology; 12 product candidates that target auto-immune diseases including rheumatoid arthritis ("**RA**"), and other diseases such as refractory gout and ophthalmological diseases such as age-related macular degeneration ("**AMD**"); six product candidates in nephrology; two product candidates in the metabolic area that target type 2 diabetes; and one product candidate in dermatology. A total of 22 of the 32 product candidates are biologics, and the other 10 are small molecules.

The Group operates in a highly attractive industry. Biotechnology has revolutionized the pharmaceutical industry by addressing unmet medical needs and offering innovative treatments for a wide array of human diseases. In Mainland China, the biotechnology industry enjoys strong government support and has been selected by the State Council of the PRC as a key strategic emerging industry. Strong government support along with increasing physician adoption of biopharmaceuticals has driven strong industry growth in Mainland China.

The Group is well positioned for global expansion. Outside of Mainland China, TPIAO has been approved in seven countries; Yisaipu has been approved in 14 countries; and EPIAO has been approved in 22 countries. In the long term, the Group aims to market its products in developed countries. Furthermore, the Group is collaborating with international partners to develop and market the Group's product candidates, such as pegsiticase. The Group aims to focus its research and development ("**R&D**") to provide innovative therapeutics for patients in Mainland China and globally.

As at 30 June 2019, the Group had operation facilities in Shenyang, Shanghai, Hangzhou and Shenzhen, all in Mainland China, as well as in Como, Italy, with over 5,000 employees. The Group's pharmaceutical products are marketed and sold in all provinces, autonomous regions and special municipalities in Mainland China, as well as a number of foreign countries and regions. During the six months ended 30 June 2019 (the "**Reporting Period**"), the Group's nationwide sales and distribution network enabled it to sell its products to over 15,000 hospitals and medical institutions in Mainland China.

1 Hereinafter referred to as the mainland area of the PRC.
2 Formerly IMS Health Inc. All market share information throughout this Interim Report cites the IQVIA data, unless otherwise noted.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. LOU Jing *(Chairman and Chief Executive Officer)*

Mr. TAN Bo

Ms. SU Dongmei

Non-executive Directors

Mr. LIU Dong

Mr. HUANG Bin (re-designated from executive Director on 20 June 2019)

Mr. WANG Steven Dasong

Independent Non-executive Directors

Mr. PU Tianruo

Mr. David Ross PARKINSON

Mr. MA Jun (resigned on 20 June 2019)

Mr. WANG Rui (appointed on 20 June 2019)

JOINT COMPANY SECRETARIES

Ms. LIU Yanli

Ms. LEUNG Suet Wing

AUTHORIZED REPRESENTATIVES

Mr. TAN Bo

Ms. LIU Yanli

AUDIT COMMITTEE

Mr. PU Tianruo *(Chairman)*

Mr. MA Jun (resigned on 20 June 2019)

Mr. WANG Rui (becoming a member from 20 June 2019)

Mr. HUANG Bin (becoming a member from 20 June 2019)

Mr. WANG Steven Dasong (ceased to be a member from 20 June 2019)

REMUNERATION COMMITTEE

Mr. WANG Rui *(Chairman)* (taking the chairmanship from 20 June 2019)

Mr. MA Jun *(Chairman)* (resigned on 20 June 2019)

Mr. LIU Dong

Mr. PU Tianruo

NOMINATION COMMITTEE

Dr. LOU Jing *(Chairman)*

Mr. PU Tianruo

Mr. MA Jun (resigned on 20 June 2019)

Mr. WANG Rui (becoming a member from 20 June 2019)

REGISTERED OFFICE (IN THE CAYMAN ISLANDS)

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Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTER

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Shenyang Economy and Technology Development Zone

Shenyang

People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Causeway Bay

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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Wanchai, Hong Kong

LEGAL ADVISERS

As to Hong Kong law and United States law:
Baker & McKenzie
14th Floor, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

As to China law:
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Chaoyang District
Beijing
People's Republic of China

As to Cayman Islands law:
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Cayman Islands

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

SECURITIES CODES

Shares Listing
Ordinary Shares
The Stock Exchange of Hong Kong Limited
(Stock Code: 1530)

Convertible Bonds Listing
EUR300,000,000 Zero-Coupon
Convertible Bonds due 2022
The Stock Exchange of Hong Kong Limited
(Convertible Bonds Code: 5241)

COMPANY'S WEBSITE

www.3sbio.com

PRINCIPAL BANK

Industrial Bank Co., Ltd, Shenyang Branch
No. 36 Shiyiwei Road
Heping District
Shenyang
People's Republic of China

Financial Highlights

- **Revenue increased by approximately RMB469.0 million or approximately 21.6% to approximately RMB2,642.9 million, as compared to the six months ended 30 June 2018.**

- **Gross profit increased by approximately RMB437.9 million or approximately 25.1% to approximately RMB2,184.5 million, as compared to the six months ended 30 June 2018. The gross profit margin increased to approximately 82.7% from approximately 80.3% for the six months ended 30 June 2018.**

- **The normalized EBITDA[3] increased by approximately RMB179.8 million or approximately 21.4% to approximately RMB1,018.3 million, as compared to the six months ended 30 June 2018. EBITDA decreased by approximately RMB204.2 million or approximately 25.8% to approximately RMB587.7 million, as compared to the six months ended 30 June 2018.**

- **The normalized net profit attributable to owners of the parent[4] increased by approximately RMB191.1 million or approximately 34.1% to approximately RMB751.9 million, as compared to the six months ended 30 June 2018. Net profit attributable to owners of the parent decreased by approximately RMB192.9 million or approximately 37.5% to approximately RMB321.3 million, as compared to the six months ended 30 June 2018.**

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3 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 Euro-denominated zero-coupon convertible bonds (the "**Bonds**") in an aggregate principal amount of EUR300,000,000 due 2022; (b) the option expenses associated with the options granted on 2 February 2017; (c) the expenses associated with the awarded shares under an employee share ownership plan (the "**ESOP**") by an indirect non-wholly owned subsidiary, Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. ("**Sunshine Guojian**"), of 3SBio; and (d) the expenses in relation to the acquisition of in-progress research and development projects.

4 The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding the same items as listed in Footnote 3 above.

Management Discussion and Analysis

Key Events

As announced on 7 January 2019, Hongkong Sansheng Medical Limited ("**Hongkong Sansheng**"), a wholly-owned subsidiary of the Company, entered into a collaboration agreement (the "**Samsung Agreement**") with Samsung Bioepis Co., Ltd. ("**Samsung Bioepis**") for the clinical development and commercialization of multiple biosimilar candidates developed by Samsung Bioepis, including the SB8 bevacizumab biosimilar candidate, in Mainland China. Pursuant to the Samsung Agreement, Samsung Bioepis is responsible for manufacturing and supplying products, and collaborating with 3SBio across a number of areas including clinical development, regulatory registration and commercialization in Mainland China. The indications of the bevacizumab biosimilar candidate in Mainland China will focus on metastatic colorectal cancer (mCRC) and non-small cell lung cancer (NSCLC).

On 11 January 2019, the Group received an investigation new drug ("**IND**") approval from the U.S. Food and Drug Administration ("**US FDA**") for 609A, an anti-programmed cell death protein 1 ("**PD1**") antibody, for clinical trials in patients with various cancers. Patient enrollment is currently ongoing. The Group's IND application to the PRC National Medical Products Administration[5] ("**NMPA**") for clinical trial approval for 609A in Mainland China was approved in August 2019.

On 11 February 2019, the Group and Cambridge, Massachusetts-based Verseau Therapeutics, Inc. ("**Verseau**") announced the entering into of a partnership agreement (the "**Partnership Agreement**") focusing on the development and commercialization of novel monoclonal antibodies in the field of immuno-oncology for a broad range of cancers. Verseau's proprietary drug discovery platform generates first-in-class macrophage checkpoint modulators ("**MCM**") to benefit patients

[5] Formerly the China Food and Drug Administration.

with cancer, immune and inflammatory diseases. Under the terms of the Partnership Agreement, the Group receives an exclusive license to develop and commercialize a selective number of MCM antibodies for all human oncology indications in the agreement-defined territory. Verseau is responsible for the discovery and optimization of MCM antibodies. The Group funds and conducts antibody development, Good Manufacturing Practices ("**GMP**") manufacturing and commercialization in the agreement-defined territory. Verseau and the Group are eligible to receive certain milestone payments and royalties on product sales. The Group also purchased USD15 million of Verseau's Series B preferred stock. This collaboration with Verseau provides the Group with access to novel and differentiated immune-modulating antibodies that will complement the Group's growing innovative oncology portfolio.

On 4 March 2019, the Company and Taiwan Liposome Company, Ltd. (Nasdaq: TLC, TWO: 4152) ("**TLC**") announced an exclusive partnership to commercialize in Mainland China two liposomal products utilizing TLC's proprietary NanoX™ technology platform in the therapeutic areas of oncology and severe infectious diseases. Under this partnership, TLC and 3SBio will cooperate to obtain regulatory approvals in Mainland China, and TLC will utilize its commercial-scale manufacturing capabilities to supply the two liposomal products to 3SBio for commercialization in Mainland China. The two companies also agreed to further collaborate in researching and developing other novel liposomal products in the therapeutic areas of osteoarthritis, pain management, ophthalmology and oncology. NanoX™ active drug loading technology is designed to alter the systemic exposure of the drug, potentially reducing dosing frequency and enhancing distribution of liposome-encapsulated active agents to the desired site. Under the terms of the relevant agreement, TLC is eligible to receive up to USD25 million in upfront payment and subsequent regulatory and sales milestone payments. TLC is also eligible for a share of the potential profits from the product sales.

As announced on 25 June 2019, the Group had obtained the Certificate of GMP for Pharmaceutical Products in the PRC issued by the NMPA for its recombinant humanized anti-CD25 monoclonal antibody injection ("**Xenopax**"). Xenopax is used for the prevention of acute rejection of kidney transplantation and can be used in combination with conventional immunosuppressive therapy to significantly improve the survival rate of transplanted organs and enhance the quality of life of patients. Xenopax is the first humanized monoclonal antibody approved for launch in Mainland China. The Group is currently actively preparing for the launch and sales of this product.

Key Events after the Reporting Period

The Group is at the preliminary stage of planning for a public listing of Sunshine Guojian's shares in the domestic Renminbi capital markets at a suitable time subject to market conditions and other relevant considerations. The relevant factors that the Group takes into consideration include whether accessing the domestic Renminbi capital market could reduce the Group's future capital funding costs, whether the Group could position itself for the accelerated pace of industry consolidation resulting from China's healthcare reform, whether such listing could elevate the Group's profile as a leading innovative biopharmaceutical company in China, whether the contemplated separate listing could promote a robust growth of the Group's innovative antibody drug platform, whether such listing could incentivise the core personnel who are key to the Group's business success, and whether the Group as a whole would become more resilient facing the capital market risks and fluctuations.

In view of the contemplated listing of Sunshine Guojian shares and as announced on 2 July 2019, as part of the Group's initiatives to incentivise the performance of its directors, senior management and employees, Sunshine Guojian entered into a subscription agreement and other ESOP agreements with relevant parties on 30 June 2019 in relation to the subscription of certain allotted shares in Sunshine Guojian under the ESOP. Sunshine Guojian shares were granted and allotted to selected participants comprising connected persons and independent employees of the Group. For details of the ESOP and grant of awarded shares by Sunshine Guojian, please refer to the Company's announcement dated 2 July 2019.

As announced on 29 July 2019, the Group submitted the application for manufacturing approval for Yisaipu pre-filled aqueous injection solution (generic name: recombinant human type II tumor necrosis factor receptor-antibody fusion protein injection solution), an antibody fusion protein drug product that is self-developed by Sunshine Guojian. The application was accepted for review by the NMPA. Yisaipu aqueous injection solution is the first self-developed pre-filled fusion protein injection solution in Mainland China. As patients are no longer restricted to hospital treatment and are able to give self-injections at home, it is expected to greatly improve patients' compliance and enhance patients' quality of life.

As announced on 1 August 2019, the clinical trial application of the Group's recombinant humanized anti-interleukin-17A ("**IL-17A**") monoclonal antibody injection solution (the Group's development code: 608) was approved by the NMPA on 31 July 2019. 608 is used for treatment of moderate to severe plaque psoriasis. The Group is currently actively preparing for initiating the clinical trial of this product.

On 20 August 2019, the PRC National Healthcare Security Administration released the 2019 National Reimbursement Drug List ("**NRDL**"). In the General List section of the 2019 NRDL, among the Group's products, two indications and one product were newly included, and one product (in one specification) was re-classified from Class B to Class A, namely: for Yisaipu, the indication of the treatment of adult patients with severe plaque psoriasis was added; for EPIAO, the indication of chemotherapy-induced anemia in patients with non-hematological malignancies was added; Fluticasone Propionate Cream (Shinuo), a product with broad applications in the treatment of a variety of dermatological disorders, was newly included; and Humulin NPH was reclassified from Class B to Class A. The 2019 NRDL will take effect on 1 January 2020; and the version currently in effect, the 2017 NRDL, will be repealed then.

As announced on 29 August 2019, the clinical trial application of the Group's anti-PD1 monoclonal antibody, 609A, was approved by the NMPA. The Company will initiate patient enrollment for the clinical trials of 609A in Mainland China as soon as possible.

As announced on 18 September 2019, the clinical trial application of the Group's oral disintegration tablet of nalfurafine hydrochloride, TRK-820, a drug to treat the pruritus of hemodialysis patients, was approved by the NMPA.

Key Products

TPIAO is the Group's self-developed proprietary product, and has been the only commercialized rhTPO product in the world since its launch in 2006. TPIAO has been approved by the NMPA for two indications: the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and immune thrombocytopenia ("**ITP**"). TPIAO has the advantages of higher efficacy, faster platelet recovery and fewer side effects as compared to alternative treatments for CIT and ITP. TPIAO has been 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. In "The Consensus of the China Experts on Diagnosis and Treatment of Adult Primary Immune Thrombocytopenia" (2016 Version), rhTPO products were included as the first choice recommendation for the second line treatments list and were recommended among the medicines to boost platelet production in certain emergencies cases. In "The Chinese Guidelines for Treatment of Adult Primary Immune Thrombocytopenia", published in International Journal of Hematology in April 2018, rhTPO was included as the first choice recommendation for the second line treatments list. In "The Guidelines of Chinese Society of Clinical Oncology (CSCO) — Conventional Osteosarcoma", issued in April 2018, TPIAO was recommended as one of the primary treatments in the CIT context. In "the China Experts Consensus on Diagnosis and Treatment of Multiple Organ Dysfunction Syndrome Induced by Infection in the Elderly" published in Chinese Journal of Practical Internal Medicine (Issue 2018-8), TPIAO was recommended for patients with thrombocyte less than $50x10^9$/L. In "Consensus on Clinical Diagnosis, Treatment and Prevention Management of Chemotherapy-Induced Thrombocytopenia in China" published in Chinese Journal of Oncology (Issue 2018-9), TPIAO was recommended for patients with thrombocyte less than $75x10^9$/L. 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 Mainland China. The inclusion in the 2017 NRDL led to an accelerated growth for TPIAO. The Group believes that TPIAO is still at an early stage of its product life cycle. The Group estimates that its penetration rates for both CIT and ITP indications in Mainland China are approximately in the range of approximately 21% to 28%. Currently, the majority of the Group's sales of TPIAO is generated from approximately 12% of the hospitals covered by the Group's sales team. In the first half of 2019, its market share for the treatment of thrombocytopenia in Mainland China, in terms of sales volume, was 25.1%; and, in terms of sales value, was 72.5%. Phase I clinical trials for TPIAO in surgery patients with hepatic dysfunction at the risk of thrombocytopenia have been completed. Additionally, the Group has started clinical trials of TPIAO in pediatric ITP indication. Outside of Mainland China, TPIAO has been approved in seven countries, including Ukraine, the Philippines and Thailand.

Yisaipu, generically known as etanercept, is a TNF α inhibitor product. It was first launched in 2005 in Mainland China for RA. Its indications were expanded to ankylosing spondylitis ("**AS**") and psoriasis in 2007. The Group actively participated in the works related to "The 2018 China Rheumatoid Arthritis Treatment Guidance" (the "**Guidance**"), an authoritative document issued by the China Medical Association. Yisaipu was adopted in the Guidance under 'TNF α inhibitors' as one of the RA treatment options, and the Guidance deemed TNF α inhibitors as a group of biological agents with relatively sufficient evidence and relatively wide adoption in treating RA. Yisaipu has been included in the 2017 NRDL as a Class B Drug (No. 846) for the treatment of patients with confirmed diagnosis of RA and confirmed diagnosis of AS (excluding pre-radiographic axial spondyloarthritis), each subject to certain medical prerequisites. Yisaipu has experienced a significant growth as the first-to-market etanercept product in Mainland China, with a dominant market share in Mainland China of 61.9% by sales in the first half of 2019. The sales coverage of Yisaipu extended to more than 3,000 hospitals in Mainland China, including over 1,000 Grade III hospitals. The Group believes that Yisaipu is still at an early stage of its product life cycle. The Group estimates that its penetration rates for both RA and AS in Mainland China are approximately in the range of approximately 5% to 9%. Currently, the majority of the Group's sales of Yisaipu is generated from approximately 8% of the hospitals covered by the Group's sales team. The Group completed the Phase III trial for pre-filled aqueous injection solution of Yisaipu and submitted the application for manufacturing approval in July 2019. The application was accepted for review by the NMPA. If approved, Yisaipu will likely be the only TNF α inhibitor product in pre-filled format among its Chinese peers. The Group is of the view that the pre-filled aqueous injection solution of Yisaipu will improve convenience and compliance for patients, and contribute to further growth of Yisaipu. Outside of Mainland China, Yisaipu has been approved in 14 countries, including Thailand, the Philippines, Mexico and India.

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 included in the NRDL as a Class B drug in Mainland China since 2000 and has been included in the 2018 National Essential Drug List. EPIAO has consistently been the dominant market leader in 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, and together with SEPO, claims the majority of Mainland China rhEPO market share at 10,000 IU dosage. Future growth for EPIAO is expected to 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 Mainland 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 Mainland China, which the Group believes is 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 in Mainland China, where sales of its rhEPO products have been experiencing significant growth. The Group expects that SEPO will continue to gain market share in Mainland China rhEPO market. The Group has initiated patient enrollment in phase II clinical trials on NuPIAO (SSS06), a second-generation rhEPO to treat anemia. The Group is currently planning for phase II trials on RD001, a pegylated long-acting rhEPO to treat anemia. Outside of Mainland China, EPIAO has been approved in 22 countries, including Ukraine, Thailand and Egypt. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand have made good progress, with patient recruitment for the maintenance period to be completed by the end of 2019. The trials are expected to be completed by 2020.

Humulin was the first bio-synthetic human insulin product and was also the first medical product for human therapeutic use produced by recombinant DNA technology in the world. Humulin is licensed from Eli Lilly and Company (NYSE: LLY) ("**Lilly**"), and the Group started to consolidate the revenue of Humulin from July 2017. Diabetes is a major chronic disease in Mainland China, which has the largest diabetes patient population in the world. The Group is of the view that the classification of human insulin as a Class A Drug in the 2017 NRDL and the establishment and implementation of the tiered medical service system will lead to further growth of human insulin in lower tier markets in Mainland China.

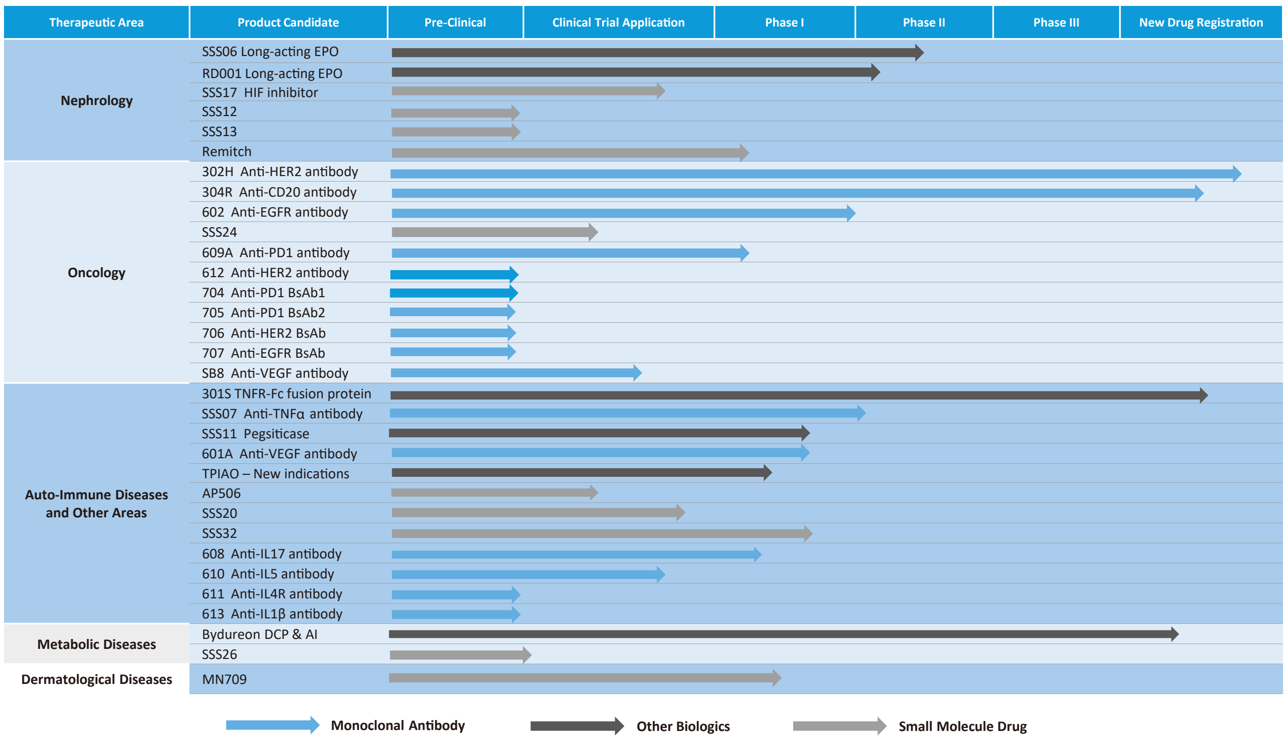
Byetta, generically known as "exenatide injection", is an injectable GLP-1 receptor agonist, administered twice daily as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus, which is indicated for treatment of patients who have not achieved adequate glycaemic control on metformin, sulphonylureas, or metformin plus sulphonylureas. Byetta is licensed from AstraZeneca, and the Group has started to record the revenue of Byetta from October 2016. Bydureon, the weekly administered GLP-1 receptor agonist product licensed from AstraZeneca, was launched in May 2018, and the Group has started to record its revenue since then. In "The Clinical Application of GLP-1 receptor agonists — Experts Guidance" (the "**Experts Guidance**") published in Chinese Journal of Diabetes (May 2018, Vol. 26, No. 5), the experts were of the opinion that GLP-1 receptor agonists are an important class of novel hypoglycemic drug in the treatment of type 2 diabetes mellitus, with increasingly wider clinical application; that they have reliable and safe hypoglycemic efficacy, and have additional benefits outside blood glucose reduction including body weight reduction, systolic pressure reduction and blood lipid profile improvement. The Experts Guidance recommended that GLP-1 receptor agonists can be used in mono-therapy, or in combination therapy when other multiple oral hypoglycemic drug and basal insulin fail to achieve desired glycemic control. In "Standards of Medical Care in Diabetes 2019" (the "**Standards**"), issued by American Diabetes Association, GLP-1 receptor agonists was recommended in various type 2 diabetes comorbidities scenarios as pharmacologic therapy, and the Standards stated that in most patients who need the greater glucose-lowering effect of an injectable medication, GLP-1 receptor agonists are preferred over insulin; and GLP-1 receptor agonists was also recommended as the best choice for a second agent in combination therapy for patients in whom certain comorbidities predominates.

Qiming Keli (芪明顆粒), Mandi (蔓迪), Disu (迪蘇) and Laiduofei (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 has been 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 30 June 2019, amongst the 32 product candidates within the Group's active pipeline, 22 were being developed as National Class I New Drugs (國家一類新藥) in Mainland China. The Group has 11 product candidates in oncology; 12 product candidates that target auto-immune diseases including RA, and other diseases such as refractory gout and ophthalmological diseases such as age-related macular degeneration ("**AMD**"); six product candidates in nephrology; two product candidates in the metabolic area that target type 2 diabetes; and one product candidate in dermatology. A total of 22 of the 32 product candidates are biologics, and the other 10 are small molecules.

Robust and Innovative Product Pipeline Supported by Integrated R&D Platform



Research and Development ("R&D")

The Group's integrated R&D platform covers a broad range of technical expertise in the discovery and development of various innovative bio-pharmaceutical 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. Currently, the Group has several leading biological products in various stages of clinical development, including 302H (an anti-HER2 antibody to treat metastatic breast cancer), 304R (an anti-CD20 antibody to treat Non-Hodgkin's lymphoma and other autoimmune diseases), SSS06 (NuPIAO, a second-generation rhEPO to treat anemia), RD001 (a pegylated long-acting rhEPO to treat anemia), SSS07 (an anti-TNFα 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 AMD and other ophthalmological diseases), 602 (an anti-epidermal growth factor receptor ("**EGFR**") antibody to treat cancer), 608 (an anti-IL-17A antibody to treat autoimmune and other inflammatory diseases), 609A (an anti-PD1 antibody to treat cancer) and 301S (the pre-filled aqueous injection solution of Yisaipu). On the research front, the Group is developing a panel of novel biological products, including monoclonal antibodies ("**mAb**"), 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, metabolic and dermatological diseases.

The Group has completed the phase III trial on the pre-filled aqueous injection solution of Yisaipu (301S) and submitted an application to the NMPA for manufacturing approval in July 2019. The application was accepted for review by the NMPA.

The Group has completed multiple phase I trials on NuPIAO (SSS06) in anemic patients, and has initiated patient enrollment in phase II clinical trials.

The Group has completed a dose-escalating phase I safety and pharmacokinetics study on RD001 in healthy volunteers, and is currently planning for phase II trials in anemic patients.

The Group has completed the phase I clinical trial of a humanized anti-TNFα antibody (SSS07) in both healthy volunteers and RA patients, and is currently preparing for phase II trials in patients with RA and other inflammatory diseases.

The Group has completed a phase I trial of an anti-EGFR antibody (602) in patients with various cancers, and is currently planning advanced clinical trials of the product in patients with colorectal cancer.

The Group has started patient enrollment for the phase I clinical trials for pegsiticase (SSS11) in refractory gout patients with high uric acid level. In the United States, the Group's business partner, Selecta Biosciences, Inc. (NASDAQ: SELB) ("**Selecta**"), has completed a phase II clinical trial for SEL-212 (consisting of pegsiticase, co-administered with SVP-Rapamycin to prevent the formation of anti-drug antibodies), and results showed that SEL-212 treatment led to 66% of evaluable patients maintained a serum uric acid level below 6 mg/ml throughout 5 months of therapy. Selecta has since launched a head-to-head safety and efficacy trial comparing SEL-212 with Krystexxa (pegloticase), a therapy for the treatment of severe, treatment-refractory, chronic gout approved by the US FDA. Interim results are anticipated during Q4 2019.

The Group has started clinical trials of TPIAO in pediatric ITP indication. Patient enrollment is ongoing. Phase I clinical trials for TPIAO in surgery patients with hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group is planning to initiate the phase II trials soon.

For 601A, the anti-VEGF antibody, patient enrollment in neovascular AMD trials is currently ongoing. Enrollment for patients with diabetic retinopathy with macular edema (DME) has been initiated.

In January 2019, the Group received an IND approval from the US FDA to conduct clinical trials of 609A, the anti-PD1 antibody, in patients with various cancers. Patient enrollment started in April 2019 and is currently ongoing. An IND application for 609A was approved by the NMPA in August 2019.

On 31 July 2019, the Group received an IND approval from the NMPA to conduct clinical trials of an anti-IL-17A antibody (608) in patients with various autoimmune and inflammatory diseases. The Group is actively preparing the trials and patient enrollment is expected to start soon.

During the period from 2009 to 2013, the Group conducted an open label, multi-center, perspective phase III trial in Mainland China with 302H (inetetamab/伊尼妥單抗, Cipterbin/賽普汀), a humanized anti-HER2 antibody for injection, in patients with HER2 over-expressing metastatic breast cancer. During the years of 2017 and 2018, the Group completed a thorough inspection and audition of all the clinical sites involved in the trial and the associated clinical data, with the assistance of a retained third-party clinical study audit firm. In September 2018, the Group re-submitted a new drug application to the NMPA for the approval of 302H for the treatment of patients with HER2 over-expressing metastatic breast cancer. The application was granted with a priority review status by the NMPA. To date, both technical reviews and clinical trial site inspection have been completed by the Center of Drug Evaluation of the NMPA.

The Group's R&D team consisting of over 380 (as at 31 July 2019) experienced 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 unmet medical 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 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 2019, the Group's extensive sales and distribution network in Mainland China was supported by approximately 3,375 sales and marketing employees, 506 distributors and 1,937 third-party promoters. As at 30 June 2019, the Group's sales team covered over 2,000 Grade III hospitals and over 14,000 Grade II or lower hospitals and medical institutions, reaching 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

With the deepening of the healthcare reform in Mainland China, the Group is of the view that the pharmaceutical industry landscape is reshaping. The healthcare reform favors companies with focuses on innovation, manufacturing quality and market access. The preferential policies towards the innovative drugs with proven efficacy cover the full pharmaceutical life cycle, from R&D, regulatory review, manufacturing to payment. More government support will be given to innovative drugs and drugs with urgent clinical needs, indicating accelerated approval timeline and greater chance for such drugs to be included in the NRDL.

The R&D standard is raised with the aim to further improve drug quality. The acceptance of overseas clinical trial data will help bring in more innovative drugs to address the unmet medical needs in Mainland China. The improved living standards and an aging population will require more high quality healthcare products.

The mission of the Group is to provide innovative and affordable medicines of international quality standard to the public. The Group aims to become a China-based, leading global biopharmaceutical company by leveraging its integrated R&D, production and marketing platforms.

According to IQVIA, in 2018, the Group ranked 27th in Mainland China hospital sales market, in terms of sales value, among all the pharmaceutical companies. The Group plans to grow the sales volume of its marketed products by further penetrating into the hospitals currently covered by the Group's sales and marketing team and new hospitals to be reached and brought under coverage, and through sustained academic promotion in the medical profession. The current market penetration rates of the Group's core products are still relatively low, promising significant growth potentials in the future.

The Group has consistently pursued innovation and technology excellence. Its rich pipeline now includes 32 candidates, with 22 candidates being developed as National Class I New Drugs. The Group will continue to focus its resources on core therepeutical areas including oncology, autoimmune disease, and nephrology. The Group is developing a series of innovative biopharmaceutical drugs, including bi-specific antibody, fusion protein and cellular therapy. The Group will continue to build up its in-house clinical development capacity and advance its integrative research capability on a highly focused basis.

The Group will continue to build up a comprehensive quality management system and voluntarily adheres to global quality standards. The Group has proven in its track record the efficacy and safety profile of its products and the Group's manufacturing facilities have passed numerous inspections conducted by the NMPA and local authorities in the past years. 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 and over 26 years of experience in the biological medicine manufacturing field, the Group is able to manufacture high quality pharmaceutical products with scalable manufacturing capacity at competitive cost.

The Group continues to seek selective merger and acquisition and collaboration opportunities to enrich its existing product portfolio and pipeline to sustain long-term growth. The strategic collaborations with companies such as AstraZeneca, Lilly, Toray, Samsung Bioepis, Refuge Biotechnologies, Verseau and TLC affirm the Group as a partner of choice to leading pharmaceutical companies around the world, and serve as stepstones for future strategic collaborations. The Group is growing its international sales through registration of existing products in new countries and registration of new products in highly regulated markets.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the Group's revenue amounted to approximately RMB2,642.9 million, as compared to approximately RMB2,174.0 million for the six months ended 30 June 2018, representing an increase of approximately RMB469.0 million, or approximately 21.6%. The increase is mainly attributable to the sales growth of the Group's key products.

For the six months ended 30 June 2019, the Group's sales of TPIAO increased to approximately RMB1,193.6 million, as compared to approximately RMB840.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB352.9 million, or approximately 42.0%. 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 and the implementation of the NRDL beginning from September 2017. For the six months ended 30 June 2019, sales of TPIAO accounted for approximately 45.0% of the Group's total sales of goods.

For the six months ended 30 June 2019, the Group's sales of Yisaipu increased to approximately RMB501.0 million, as compared to approximately RMB442.4 million for the six months ended 30 June 2018, representing an increase of approximately RMB58.6 million, or approximately 13.2%. The increase was primarily attributable to an increase in sales volume. For the six months ended 30 June 2019, the sales of Yisaipu accounted for approximately 18.9% of the Group's total sales of goods.

For the six months ended 30 June 2019, the Group's sales of EPIAO and SEPO increased to approximately RMB451.7 million, as compared to approximately RMB426.8 million for the six months ended 30 June 2018, representing an increase of approximately RMB25.0 million, or approximately 5.8%. The increase was primarily attributable to an increase in sales volume. For the six months ended 30 June 2019, the Group's sales of SEPO increased to approximately RMB115.7 million, as compared to approximately RMB87.4 million for the six months ended 30 June 2018, representing an increase of approximately RMB28.2 million, or approximately 32.3%. For the six months ended 30 June 2019, the Group's sales of EPIAO decreased to approximately RMB336.1 million, as compared to approximately RMB339.3 million for the six months ended 30 June 2018, representing a slight decrease of approximately RMB3.3 million, or approximately 1.0%. The decrease was primarily attributable to a 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 2019, the sales of EPIAO and SEPO accounted for a total of approximately 17.0% of the Group's total sales of goods.

For the six months ended 30 June 2019, the Group's sales of chemical products were approximately RMB252.2 million, as compared to approximately RMB176.8 million for the six months ended 30 June 2018, representing an increase of approximately RMB75.5 million, or approximately 42.7%. The increase was mainly attributable to the increased sales volume of Sparin, Mandi and other chemical products which was in turn driven by surging demand. For the six months ended 30 June 2019, the sales of chemical products accounted for a total of approximately 9.5% of the Group's total sales of goods.

For the six months ended 30 June 2019, the Group's export sales decreased to approximately RMB32.0 million, as compared to approximately RMB40.5 million for the six months ended 30 June 2018, representing a decrease of approximately RMB8.5 million, or approximately 21.1%. The decrease was mainly due to the decreased export sales of EPIAO.

For the six months ended 30 June 2019, the Group's other sales, primarily consisted of sales from license-in products and contract manufacturing income from Sirton Pharmaceuticals S.p.A. ("**Sirton**"), a wholly-owned subsidiary of the Company, and other subsidiaries of the Group, decreased to approximately RMB224.7 million, as compared to approximately RMB256.8 million for the six months ended 30 June 2018, representing a decrease of approximately RMB32.1 million, or approximately 12.5%.

Cost of Sales

The Group's cost of sales increased from approximately RMB427.3 million for the six months ended 30 June 2018 to approximately RMB458.4 million for the six months ended 30 June 2019, which accounted for approximately 17.3% 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 2019, as compared to the corresponding period in 2018.

Gross Profit

For the six months ended 30 June 2019, the Group's gross profit increased to approximately RMB2,184.5 million, as compared to approximately RMB1,746.6 million for the six months ended 30 June 2018, representing an increase of approximately RMB437.9 million, or approximately 25.1%. 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 82.7% for the six months ended 30 June 2019 from approximately 80.3% for the corresponding period in 2018. The increase was mainly attributable to the sales growth of the Group's key products, which had a higher 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, foreign exchange gain and other miscellaneous income. For the six months ended 30 June 2019, the Group's other income and gains decreased to approximately RMB68.1 million, as compared to approximately RMB117.5 million for the six months ended 30 June 2018, representing a decrease of approximately RMB49.4 million, or approximately 42.0%. The decrease was mainly attributable to the decrease in foreign exchange gains.

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 2019, the Group's selling and distribution expenses amounted to approximately RMB999.0 million, as compared to approximately RMB822.9 million for the six months ended 30 June 2018, representing an increase of approximately RMB176.1 million, or approximately 21.4%. The increase was mainly attributable to the increased promotional activities for the Group's key products. In terms of the percentage of revenue, the Group's selling and distribution expenses decreased from approximately 37.9% for the six months ended 30 June 2018 to approximately 37.8% for the six months ended 30 June 2019.

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 2019, the Group's administrative expenses amounted to approximately RMB481.0 million, as compared to approximately RMB134.3 million for the six months ended 30 June 2018, representing an increase of approximately RMB346.7 million, or approximately 258.2%. The increase was mainly due to the one-off expenses of RMB340.5 million incurred in 2019 in relation to the option expenses associated with the options granted on 2 February 2017 and the expenses associated with the awarded shares under the ESOP by Sunshine Guojian. Had the effects of the non-recurring items been excluded, the administrative expenses for the six months ended 30 June 2019 would have been approximately RMB140.5 million, as compared to approximately RMB123.5 million for the six months ended 30 June 2018, representing an increase of approximately RMB17.0 million, or approximately 13.8%, which was mainly attributable to the expansion of business of the Group. The administrative expenses (excluding the aforementioned non-recurring items) as a percentage of revenue was approximately 5.3% for the six months ended 30 June 2019, as compared to approximately 5.7% for the corresponding period in 2018.

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 2019, the Group's other expenses and losses amounted to approximately RMB318.6 million, as compared to approximately RMB224.2 million for the six months ended 30 June 2018, representing an increase of approximately RMB94.4 million, or approximately 42.1%. The increase was mainly due to increased R&D costs, which increased from approximately RMB178.0 million for the six months ended 30 June 2018 to approximately RMB263.9 million for the six months ended 30 June 2019, representing an increase of approximately RMB85.9 million, or approximately 48.2%. Part of the increased R&D costs was approximately RMB54.2 million of the expenses paid in relation to the acquisition of in-progress research and development projects.

Finance Costs

For the six months ended 30 June 2019, the Group's finance costs amounted to approximately RMB48.2 million, as compared to approximately RMB73.4 million for the six months ended 30 June 2018, representing a decrease of approximately RMB25.3 million, or approximately 34.4%. The decrease was mainly due to the repayment of bank borrowings during the six months ended 30 June 2019. Excluding the non-cash interest expenses of the Bonds, the finance cost decreased from RMB37.6 million for the six months ended 30 June 2018 to approximately RMB12.3 million for the six months ended 30 June 2019, representing a decrease of approximately RMB25.3 million, or approximately 67.2%.

Income Tax Expense

For the six months ended 30 June 2019, the Group's income tax expense amounted to approximately RMB95.4 million, as compared to approximately RMB92.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB2.7 million, or approximately 2.9%. The increase was mainly due to the increase of the taxable income during the six months ended 30 June 2019, as compared to the corresponding period in 2018. The effective tax rates for the six months ended 30 June 2019 and the corresponding period in 2018 were 23.5% and 15.4% respectively. The increase in effective tax rate was mainly due to the increase in offshore losses for the six months ended 30 June 2019, as compared to those for the six months ended 30 June 2018.

EBITDA and Net Profit Attributable to Owners of the Parent

The EBITDA for the six months ended 30 June 2019 decreased by approximately RMB204.2 million or approximately 25.8% to approximately RMB587.7 million, as compared to approximately RMB791.8 million for the six months ended 30 June 2018. 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 in an aggregate principal amount of EUR300,000,000 due 2022; (b) the option expenses associated with options granted on 2 February 2017; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; and (d) the expenses in relation to the acquisition of in-progress research and development projects. The Group's normalized EBITDA for the six months ended 30 June 2019 increased by approximately RMB179.8 million or approximately 21.4% to approximately RMB1,018.3 million, as compared to approximately RMB838.5 million for the six months ended 30 June 2018.

The net profit attributable to owners of the parent for the six months ended 30 June 2019 was approximately RMB321.3 million, as compared to approximately RMB514.2 million for the six months ended 30 June 2018, representing a decrease of approximately RMB192.9 million, or approximately 37.5%. The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding, as applicable: (a) the expenses incurred in relation to the issuance of the Bonds in an aggregate principal amount of EUR300,000,000 due 2022; and (b) the option expenses associated with options granted on 2 February 2017; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; and (d) the expenses in relation to the acquisition of in-progress research and development projects. The Group's normalized net profit attributable to owners of the parent for the six months ended 30 June 2019 was approximately RMB751.9 million, as compared to approximately RMB560.8 million for the six months ended 30 June 2018, representing an increase of approximately RMB191.1 million, or approximately 34.1%.

Earnings Per Share

The basic earnings per share for the six months ended 30 June 2019 was approximately RMB0.13, as compared to approximately RMB0.20 for the six months ended 30 June 2018, representing a decrease of approximately 37.4%. 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 2019 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 2019 was approximately RMB0.30, as compared to approximately RMB0.22 for the six months ended 30 June 2018, representing an increase of approximately 34.3%.

Financial Assets Measured at Fair Value

As at 30 June 2019, 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 healthcare industry.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group's liquidity remained strong. For the six months ended 30 June 2019, the Group's operating activities generated a net cash inflow of approximately RMB699.6 million. As at 30 June 2019, the Group's cash and cash equivalents and time deposits (including pledged time deposits) were approximately RMB1,394.9 million.

Net Current Assets

As at 30 June 2019, the Group had net current assets of approximately RMB2,735.6 million, as compared to net current assets of approximately RMB2,782.0 million as at 31 December 2018. The current ratio of the Group decreased from approximately 2.7 as at 31 December 2018 to approximately 2.2 as at 30 June 2019. The decrease in current ratio was mainly due to the increase in short-term interest-bearing bank borrowings, which was newly added at the end of the reporting period with minimal impact on finance cost in the period.

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 2019, the Group had an aggregate interest-bearing bank borrowings of approximately RMB1,310.4 million, as compared to approximately RMB995.4 million as at 31 December 2018. The increase in bank borrowings primarily reflected the additional bank-borrowing of RMB1,172.3 million in 2019, which was partially offset by the repayment of loans of RMB847.9 million. 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 2019.

As at 30 June 2019, the Group had convertible bonds outstanding of approximately RMB2,297.7 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings (excluding the Bonds) by the total equity, increased to approximately 13.7% as at 30 June 2019 from approximately 11.2% as at 31 December 2018. The increase was primarily due to the increase of bank-borrowings.

Contingent Liabilities

As at 30 June 2019, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB989.2 million as at 30 June 2019, as compared to approximately RMB952.8 million as at 31 December 2018.

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 RMB32.0 million, or approximately 1.2% of the Group's revenue, for the six months ended 30 June 2019. 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-dominated Bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 30 June 2019, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD31.2 million (equivalent to approximately RMB214.5 million) denominated in US dollars; (2) approximately HKD156.9 million (equivalent to approximately RMB138.0 million) denominated in HK dollars; and (3) approximately EUR19.9 million (equivalent to approximately RMB155.5 million) denominated in Euro. 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 2019, 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 RMB1,200 million to RMB1,400 million. These expected capital expenditures will primarily be incurred for the maintenance of the Group's existing facilities and the expansion of the Group's production capabilities. The Group expects to finance its capital expenditures through a combination of internally generated funds and bank borrowings.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2019, the Group employed a total of 5,246 employees, as compared to a total of 5,047 employees as at 31 December 2018. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB896.0 million for the six months ended 30 June 2019, as compared to approximately RMB474.1 million for the corresponding period in 2018. 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 and other incentive schemes such as share and cash awards for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. For information relating to the Company's recent adoption of a share award scheme and grant of awarded shares to independent employees of the Group, please refer to the Company's announcement dated 17 July 2019.

Corporate Governance and Other information

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**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance.

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

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 (the "**Board**") of Directors (the "**Directors**") of the Company believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enabling 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 have complied with the required standard as set out in the Model Code during the six months ended 30 June 2019.

THE BOARD AND ITS COMMITTEES

The compositions of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company are as set out in the Corporate Information section.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2019.

CHANGES TO INFORMATION REGARDING DIRECTORS AND CHIEF EXECUTIVES

Following the Company's annual general meeting held on 20 June 2019, the changes of information on the Directors pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

Mr. HUANG Bin was re-designated from his position as an executive Director to a non-executive Director, and became a member of the audit committee of the Company; and Mr. WANG Steven Dasong ceased to be a member of the audit committee of the Company.

Mr. MA Jun resigned as an independent non-executive Director, a member of the audit committee and nomination committee of the Company, and the chairman of the remuneration committee of the Company. Following Mr. MA Jun's resignation, Mr. WANG Rui was appointed as an independent non-executive Director, and became a member of the audit committee and nomination committee of the Company, and the chairman of the remuneration committee of the Company with effect on the same day.

Further, as of 30 June 2019, Mr. TAN Bo, Ms. SU Dongmei, and Mr. HUANG Bin have resigned as directors of Sunshine Guojian.

Other than above, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises two independent non-executive Directors and one non-executive Director, namely Mr. PU Tianruo (chairman), Mr. WANG Rui, and Mr. HUANG Bin, respectively.

The Audit Committee, together with the management, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019. The Audit Committee does not have any disagreement with any accounting treatment which had been adopted. The Audit Committee has also reviewed the effectiveness of the financial reporting, internal control and risk management systems of the Company and considers such systems to be effective and adequate.

In addition, the independent auditor of the Company, Ernst & Young, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*".

PURCHASE, SALE OR REDEMPTION BY THE COMPANY

During the six months ended 30 June 2019, the Company had repurchased a total of 5,000,000 ordinary shares of the Company on the Stock Exchange at an aggregate cash consideration of HKD45,348,633.90 (excluding expenses). All the shares repurchased by the Company during the six months ended 30 June 2019 had been cancelled by the Company. Save as the aforesaid repurchases of shares, 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 2019.

POST-IPO SHARE OPTION SCHEME

Pursuant to a written resolution passed by the then sole shareholder of the Company on 23 May 2015, the Company adopted a share option scheme pursuant to Chapter 17 of the Listing Rules (the "**Scheme**"). The details of the Scheme were disclosed in the Company's prospectus dated 1 June 2015 in the section headed "Statutory and General Information — 5. Post-IPO Share Option Scheme" in Appendix IV. Under the Scheme, the Company was authorised to issue up to 242,439,857 ordinary shares (subject to possible adjustments), which represented approximately 9.56% of the issued shares as at 30 June 2019. The purpose of the Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Unless approved by the shareholders in accordance with the terms of the Scheme, the total number of shares issued and to be issued upon exercise of the options granted and to be granted under the Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of shares in issue. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Scheme. A nominal consideration of RMB1.00 is payable upon acceptance of the grant of an option. For details, please refer to Appendix IV to the Company's prospectus dated 1 June 2015.

The Scheme will continue to be in effect for a term of ten years unless terminated sooner, and has a remaining term of approximately 5.5 years as at the date of this report. On 28 June 2016, the Company amended the Scheme to include nominees and/or trustees of employee benefit trusts set up for the employees of the members of the Group as participants eligible to participate in the Scheme.

The following share options were outstanding under the Scheme as of 30 June 2019:

	NUMBER OF SHARE OPTIONS										
NAME OR CATEGORY OF PARTICIPANT	AS AT 1 JANUARY 2019	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	FORFEITED/ CANCELLED DURING THE PERIOD	EXPIRED DURING THE PERIOD	AS AT 30 JUNE 2019	DATE OF GRANT OF SHARE OPTIONS	EXERCISE PERIOD OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS *(HKD PER SHARE)*	PRICE OF THE COMPANY'S LISTED SHARES IMMEDIATELY BEFORE THE GRANT DATE OF OPTIONS *(HKD PER SHARE)*	THE WEIGHTED AVERAGE CLOSING PRICE OF THE COMPANY'S LISTED SHARES IMMEDIATELY BEFORE THE EXERCISE DATES
The Empire Trust*	20,000,000	0	1,007,500	660,000	–	18,332,500	2 February 2017	From 2 August 2018 to 2 February 2027**	7.62	7.37	13.43
	20,000,000	0	1,007,500	660,000	–	18,332,500					

* The Empire Trust is a trust established by the Company for beneficiaries who are employees of the Company and its subsidiaries and affiliates, and any other persons as nominated from time to time by the advisory committee of The Empire Trust that is established with the authority of the Board.

** Share options granted are subject to vesting conditions.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

(i) Interests in the Company

Name and Position	Nature of Interest	Number of Shares Held	Percentage of All Shares in Issue(1)
LOU Jing (婁競)(2) Executive Director	Beneficiary of a trust	599,367,030(L)	23.64%
	Beneficiary of a trust	47,946,010(L)	1.89%
	Beneficial owner	660,000(L)	0.03%
		Total: 647,973,040(L)	Total: 25.56%
TAN Bo (譚擘)(3) Executive Director	Beneficial owner	660,000(L)	0.03%
	Interest in controlled corporation	116,985,920(L)	4.61%
		Total: 117,645,920(L)	Total: 4.64%
SU Dongmei (蘇冬梅)(4) Executive Director	Interest in controlled Corporation	24,384,630(L)	0.96%
	Beneficial owner	660,000(L)	0.03%
		Total: 25,044,630(L)	Total: 0.99%
HUANG Bin (黃斌)(5) Non-Executive Director	Interest in controlled corporation	32,197,350(L)	1.27%

Notes:

(L): denotes long position.

(1) The calculation is based on the total number of 2,534,992,051 ordinary shares in the share capital of the Company (each with a par value USD0.00001, the "**Share**") in issue as at 30 June 2019.

(2) LOU Jing was granted 660,000 share options by the Company on 2 February 2017, representing 660,000 Shares upon full exercise. LOU Jing was a beneficiary of an unnamed trust which was interested in 599,367,030 Shares and therefore LOU Jing was deemed to be interested in all such Shares. LOU Jing was also a settlor and a beneficiary of another unnamed trust which was interested in 41,746,000 Shares that was held on trust for LOU Jing and in another 6,200,010 Shares held by it, and therefore LOU Jing was deemed to be interested in all such Shares.

(3) TAN Bo directly held the entire issued share capital of Triple Talent Enterprises Limited ("**TTE**") and therefore was deemed to be interested in the same number of Shares in which TTE was interested (i.e. 116,985,920 Shares); in addition, TAN Bo was granted 660,000 share options by the Company, representing 660,000 Shares upon full exercise.

(4) SU Dongmei directly held the entire issued share capital of Joint Palace Group Limited ("**JPG**") and therefore, was deemed to be interested in the same number of Shares in which JPG was interested (i.e. 24,384,630 Shares); and, SU Dongmei was granted 660,000 share options by the Company, representing 660,000 Shares upon full exercise.

(5) HUANG Bin directly held the entire issued share capital of Known Virtue International Limited ("**KVI**") and therefore, was deemed to be interested in the same number of Shares in which KVI was interested (i.e. 32,197,350 Shares).

(ii) Interests in Associated Corporations

Name and Position	Associated Corporation	Nature of Interest	Number of Securities Held	Approximate Percentage of Outstanding Share Capital of the Associated Corporation[1]
LOU Jing (婁競) Executive Director	Sunshine Guojian	Interest in controlled corporation	25,160,657[(L)(1)]	4.54%
SU Dongmei (蘇冬梅) Executive Director	Sunshine Guojian	Others[2]	200,000[(L)(2)]	0.03%

Notes:

(L): denotes long position.

(1) The shares were allotted by Sunshine Guojian to Achieve Well International Limited, a company wholly-owned by Dr. LOU Jing, under the ESOP adopted by Sunshine Guojian as announced on 2 July 2019 by the Company, for purposes of holding the awarded shares granted to Dr. LOU Jing.

(2) An ultimate beneficial owner of an interest in a fund (the "**Fund**") that is used for holding shares awarded under the ESOP adopted by Sunshine Guojian as announced on 2 July 2019 by the Company, which is directly holding the awarded shares for the ultimate benefit of Ms. SU Dongmei, being one of the grantees of the awarded shares that have been allotted to the Fund by Sunshine Guojian.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, to the best of the Directors' knowledge, the following persons (other than the Directors or chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Nature of Interest	Number of Shares held	Approximate percentage of all Shares in Issue[1]
Decade Sunshine Limited ("**DSL**")[2]	Beneficial owner	599,367,030[L]	23.64%
Century Sunshine Limited ("**CSL**")[2]	Interest in a controlled corporation	599,367,030[L]	23.64%
XING Lily[3]	Interest in a controlled corporation[2]	599,367,030[L]	23.64%
	Interest of spouse[3]	48,606,010[L]	1.92%
		Total: 647,973,040[L]	25.56%
Lambda International Limited[2]	Interest in a controlled corporation	599,367,030[L]	23.64%
TMF (Cayman) Ltd.[4]	Trustee	713,207,520[L]	28.13%
CS Sunshine Investment Limited[5]	Beneficial owner	472,212,360[L]	18.63%
CPEChina Fund, L.P.[5]	Interest in a controlled corporation	472,212,360[L]	18.63%
CITIC PE Associates, L.P.[5]	Interest in a controlled corporation	472,212,360[L]	18.63%
CITIC PE Funds Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.63%
CITICPE Holdings Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.63%
CLSA Global Investment Management Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.63%
CITIC Securities International Company Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.63%
CITIC Securities Company Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.63%
JPMorgan Chase & Co.	Interest in a controlled corporation	21,587,809[L]	0.85%
		18,113,387[S]	0.71%
	Investment manager	12,176,000[L]	0.48%
	Approved lending agent	85,049,088[L]&[P]	3.36%
	Person having a security interest in shares	27,646,733[L]	1.09%
		Total: 146,459,630[L]	5.78%
		18,113,387[S]	0.71%
		85,049,088[P]	3.36%

Notes:

(L): denotes long position

(S): denotes short position

(P): denotes lending pool

(1) The calculation is based on the total number of 2,534,992,051 Shares in issue as at 30 June 2019.

(2) DSL was wholly-owned by CSL and therefore CSL is deemed to be interested in 599,367,030 Shares held by DSL; further, 42.60% and 35.65% of CSL were respectively controlled by XING Lily and Lambda International Limited, who are therefore deemed to be interested in such 599,367,030 Shares.

(3) XING Lily's spouse, LOU Jing, was interested in 48,606,010 Shares and therefore XING Lily is deemed to be interested in the same number of Shares.

(4) TMF (Cayman) Ltd. was the trustee with respect to four unnamed trusts, which respectively were interested in 599,367,030, 45,894,480, 20,000,000, and 47,946,010 Shares, and therefore TMF (Cayman) Ltd. is deemed to be interested in all such Shares.

(5) CS Sunshine Investment Limited was wholly-owned by CPEChina Fund, L.P. The general partner of CPEChina Fund, L.P. was CITIC PE Associates, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner was CITIC PE Funds Limited, an exempted company incorporated in the Cayman Islands with limited liability. CITICPE Holdings Limited exercised 100% control over CITIC PE Funds Limited. 35% of CITICPE Holdings Limited was controlled by CLSA Global Investment Management Limited, which therefore is deemed to be interested in the Shares in which CITICPE Holdings Limited was interested. CITIC Securities International Company Limited exercised 100% control over CLSA Global Investment Management Limited. CITIC Securities Company Limited exercised 100% control over CITIC Securities International Company Limited.

Save as disclosed above, as at 30 June 2019, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the Reporting Period was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 22 February 2016, Hongkong Sansheng entered into a Hong Kong dollar equivalent RMB2,200,000,000 term loan facility (the "**Loan Facility**") with Ping An Bank Company Limited (平安銀行股份有限公司). The funds from the Loan Facility were used for acquiring further equity interests in Sunshine Guojian. The details of the Loan Facility are set out in the announcement of the Company dated 22 February 2016. The Loan Facility was duly paid off, with no default in respect of such facility through the life of the Loan Facility.

Save as disclosed above, the Directors are not aware of any other circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rules 13.18 and 13.21 of the Listing Rules as at 30 June 2019.

CONVERTIBLE BONDS

On 12 July 2017, the Group, through Strategic International Group Limited (the "**Strategic International**"), a direct wholly-owned subsidiary of the Company, conducted an international offering of Euro-denominated zero-coupon convertible bonds, or the Bonds (as defined above), in an aggregate principal amount of EUR300,000,000 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 information regarding the Bonds is summarized in note 17 to the interim condensed consolidated financial information and the Company's announcements dated 12 July 2017, 13 July 2017 and 21 July 2017.

The Bonds constitute direct, unconditional, unsubordinated and (subject to the provision relating to the negative pledge in respect thereof) unsecured obligations of Strategic International and shall rank *pari passu* and without any preference or priority among themselves. 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.

Use of Proceeds of the Bonds

The net proceeds of approximately EUR295,898,164 represents a net issue price of approximately HKD14.04 per conversion share based on the initial conversion price of HKD14.28 per conversion share. As disclosed in the announcement of the Company dated 12 July 2017 in relation to the proposed issue of the Bonds (the "**Bonds Announcement**"), the net proceeds from the Bonds were proposed to be used for repaying the loans of the Group, future merger and acquisitions, R&D, purchase of operation facilities and other general corporate purposes. As of 30 June 2019, RMB1,663,961,000 of the proceeds of the Bonds were allocated or applied to repaying the loans of the Group, merger and acquisitions, purchase of operation facilities and other general corporate purposes.

It is estimated that the remaining balance of the proceeds of the Bonds, approximately RMB626,500,000, will be allocated or applied in accordance with the proposed uses as disclosed in the Bonds Announcement and is expected to be fully utilized in three to five years.

Conversion Price and Shares to be Issued upon Full Conversion

As at 30 June 2019, the outstanding principal amount of the Bonds was EUR300,000,000. The initial conversion price of the Bonds was HKD14.28 per conversion share, which represents (i) a premium of approximately 40% over the closing price of HKD10.20 per Share as quoted on the Stock Exchange on 12 July 2017 (being the trading day on which the terms of the issue of the Bonds were fixed) and (ii) a premium of approximately 38.69% over the average closing price of approximately HKD10.296 as quoted on the Stock Exchange for the five consecutive trading days up to and including 12 July 2017. Assuming full conversion of the Bonds based on such initial conversion price, the total number of shares issued by the Company would be 2,723,355,496 Shares as at 30 June 2019. The Company has a general mandate sufficient to cover the shares issued upon full conversion of the Bonds.

The following table summaries the potential effects on the shareholding structure of the Company as a result of the full conversion of the Bonds:

	As at 30 June 2019		Assuming the Bonds are fully converted at the initial Conversion Price	
Name of Shareholders	Number of Shares	Approximate % of total issued Shares	Number of Shares	Approximate % of the enlarged issued Shares
Decade Sunshine Limited	599,367,030	23.64%	599,367,030	22.01%
CS Sunshine Investment Limited	472,212,360	18.63%	472,212,360	17.34%
Hero Grand Management Limited[1]	47,946,010	1.89%	47,946,010	1.76%
Directors and Chief Executive[2]	214,887,899	8.48%	214,887,899	7.89%
Other public shareholders	1,200,578,752	47.36%	1,200,578,752	44.08%
Bondholders	—	—	188,363,445	6.92%
Total	2,534,992,051	100.00%	2,723,355,496	100.00%

Notes:

(1) Hero Grand Management Limited ("**Hero Grand**") is owned by an unnamed trust that is owned as to 100% by TMF (Cayman) Ltd. as the trustee, and Dr. LOU Jing (Chairman of the Company) is the settlor and a beneficiary of the trust. As at 30 June 2019, Hero Grand held approximately 1.89% of the total share capital of the Company, of which 1.64% was held on trust for Dr. LOU Jing and 0.24% was held by itself.

(2) The Directors and chief executive (other than Dr. LOU Jing) held approximately 8.48% of the total share capital of the Company in aggregate as at 30 June 2019.

(3) The percentages are subject to rounding difference, and figures shown as totals may not be an arithmetic aggregation of the figures preceding them if any.

Independent Review Report

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To the Board of Directors of 3SBio Inc.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 74, which comprises the condensed consolidated statement of financial position of 3SBio Inc. (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
21 August 2019

Unaudited Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
REVENUE	3	**2,642,932**	2,173,964
Cost of sales		**(458,410)**	(427,319)
Gross profit		**2,184,522**	1,746,645
Other income and gains	4	**68,147**	117,500
Selling and distribution expenses		**(999,019)**	(822,877)
Administrative expenses		**(481,022)**	(134,291)
Other expenses		**(318,607)**	(224,246)
Finance costs	6	**(48,153)**	(73,404)
Share of profits and losses of:			
A joint venture		**3,189**	—
Associates		**(2,472)**	(6,684)
PROFIT BEFORE TAX	5	**406,585**	602,643
Income tax expense	7	**(95,384)**	(92,658)
PROFIT FOR THE PERIOD		**311,201**	509,985
Attributable to:			
Owners of the parent		**321,294**	514,197
Non-controlling interests		**(10,093)**	(4,212)
		311,201	509,985
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	9	**RMB0.13**	RMB0.20
— Diluted	9	**RMB0.13**	RMB0.20

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	**311,201**	509,985
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,072**	21,637
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**2,072**	21,637
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	**(23,948)**	(3,230)
Income tax effect	**3,660**	11,737
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(20,288)**	8,507
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(18,216)**	30,144
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**292,985**	540,129
Attributable to:		
Owners of the parent	**303,078**	544,341
Non-controlling interests	**(10,093)**	(4,212)
	292,985	540,129

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,819,578**	1,791,961
Right-of-use assets		**340,256**	—
Prepaid land lease payments		**—**	326,457
Goodwill		**4,094,849**	4,089,064
Other intangible assets		**2,236,028**	2,298,735
Investment in a joint venture		**5,689**	2,500
Investments in associates		**383,470**	385,850
Equity investments designated at fair value through other comprehensive income		**640,019**	313,246
Long-term receivables		**8,928**	28,758
Prepayments, other receivables and other assets		**142,367**	81,149
Deferred tax assets		**128,850**	84,402
Total non-current assets		**9,800,034**	9,402,122
CURRENT ASSETS			
Inventories	11	**449,765**	384,609
Trade and notes receivables	12	**1,547,788**	1,483,885
Prepayments, other receivables and other assets		**756,374**	693,997
Equity investments designated at fair value through other comprehensive income		**—**	32,872
Financial assets at fair value through profit or loss		**950,100**	35,260
Derivative financial instrument		**—**	16
Cash and cash equivalents	13	**1,379,890**	1,792,605
Pledged deposits	13	**15,004**	14,289
Total current assets		**5,098,921**	4,437,533

Unaudited Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	14	**170,668**	112,915
Other payables and accruals	15	**918,125**	845,725
Deferred income		**36,554**	35,887
Interest-bearing bank and other borrowings	16	**1,169,932**	570,328
Tax payable		**68,000**	90,686
Total current liabilities		**2,363,279**	1,655,541
NET CURRENT ASSETS		**2,735,642**	2,781,992
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,535,676**	12,184,114
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	**140,472**	425,022
Convertible bonds	17	**2,297,745**	2,299,321
Deferred income		**264,024**	275,337
Deferred tax liabilities		**268,296**	270,761
Lease liabilities		**5,346**	—
Other non-current liabilities		**6,153**	6,303
Total non-current liabilities		**2,982,036**	3,276,744
Net assets		**9,553,640**	8,907,370
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	**155**	156
Treasury shares		**—**	(40,586)
Share premium		**4,307,070**	4,376,056
Other reserves		**4,612,402**	4,278,807
		8,919,627	8,614,433
Non-controlling interests		**634,013**	292,937
Total equity		**9,553,640**	8,907,370

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the parent											
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Equity component of convertible bonds RMB'000	Statutory surplus reserves RMB'000	Retained earnings RMB'000	Fair value Reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018 (audited)	156	(40,586)	4,376,056	209,679	47,133	437,733	3,456,641	157	127,464	8,614,433	292,937	8,907,370
Effect of adoption of IFRS 16	–	–	–	–	–	–	–	–	–	–	–	–
At 1 January 2019 (unaudited)	156	(40,586)	4,376,056	209,679	47,133	437,733	3,456,641	157	127,464	8,614,433	292,937	8,907,370
Profit for the period	–	–	–	–	–	–	321,294	–	–	321,294	(10,093)	311,201
Other comprehensive income for the period:												
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	(20,288)	–	(20,288)	–	(20,288)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	2,072	2,072	–	2,072
Total comprehensive income for the period	–	–	–	–	–	–	321,294	(20,288)	2,072	303,078	(10,093)	292,985
Transfer to statutory reserves	–	–	–	–	–	56,131	(56,131)	–	–	–	–	–
Shares repurchased	–	(38,180)	–	–	–	–	–	–	–	(38,180)	–	(38,180)
Shares cancelled	(1)	78,766	(78,765)	–	–	–	–	–	–	–	–	–
Equity-settled share option scheme (Note 19)	–	–	–	5,401	–	–	–	–	–	5,401	–	5,401
Shares issued upon exercise of share option (Note 19)	–	–	9,779	(3,192)	–	–	–	–	–	6,587	–	6,587
The expenses associated with the awarded shares under the employee share ownership plan (Note 19)	–	–	–	335,110	–	–	–	–	–	335,110	–	335,110
Capital injection from non-controlling shareholders (Note 19)	–	–	–	(306,802)	–	–	–	–	–	(306,802)	351,169	44,367
At 30 June 2019 (unaudited)	155	–	4,307,070	240,196	47,133	493,864	3,721,804	(20,131)	129,536	8,919,627	634,013	9,553,640

Unaudited Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2019

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Equity component of convertible bonds RMB'000	Statutory surplus reserves RMB'000	Retained earnings RMB'000	Fair value Reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (audited)	156	4,372,460	195,788	47,133	307,794	2,443,925	(4,393)	33,925	7,396,788	232,858	7,629,646
Profit for the period	–	–	–	–	–	514,197	–	–	514,197	(4,212)	509,985
Other comprehensive income for the period											
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	8,507	–	8,507	–	8,507
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	21,637	21,637	–	21,637
Total comprehensive income for the period	–	–	–	–	–	514,197	8,507	21,637	544,341	(4,212)	540,129
Dividends paid	–	–	–	–	–	(140,308)	–	–	(140,308)	–	(140,308)
Transfer to statutory reserves	–	–	–	–	53,885	(53,885)	–	–	–	–	–
Equity-settled share option scheme (Note 19)	–	–	10,803	–	–	–	–	–	10,803	–	10,803
Capital injection from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	60,000	60,000
At 30 June 2018 (unaudited)	156	4,372,460	206,591	47,133	361,679	2,763,929	4,114	55,562	7,811,624	288,646	8,100,270

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**406,585**	602,643
Adjustments for:			
Finance costs	6	**48,153**	73,404
Share of profits and losses of a joint venture and associates		**(717)**	6,684
Interest income	4	**(32,866)**	(30,208)
Foreign exchange differences	4	**(4,131)**	(53,029)
Charge of share-based compensation costs	5	**340,511**	10,803
Depreciation of property, plant and equipment	5	**89,430**	76,295
Amortisation of other intangible assets	5	**68,483**	65,059
Depreciation of right-of-use assets/recognition of prepaid land lease payments	5	**6,162**	4,095
Amortisation of long-term deferred expenditures	5	**1,721**	556
Recognition of deferred income		**(18,715)**	(20,247)
Fair value gain on a derivative financial instrument	4	**—**	(2,927)
Loss on disposal of a derivative financial instrument		**192**	—
Reversal of provision/provision for impairment of trade receivables	5	**(12,190)**	19,776
Provision for impairment of other receivables	5	**22,347**	3,493
Provision for impairment of long-term receivables	5	**25,311**	364
Reversal of provision for impairment of inventories		**(118)**	(62)
Reversal of accruals for investment activities		**—**	(11,886)
Loss on disposal of items of property, plant and equipment	5	**693**	3,443
		940,851	748,256
Increase in inventories		**(66,112)**	(18,545)
Increase in pledged deposits		**(109)**	(7,334)
Increase in trade and notes receivables		**(75,456)**	(194,893)
(Increase)/decrease in prepaid expenses and other receivables		**(86,543)**	11,123
Increase/(decrease) in trade and bills payables		**57,448**	(39,228)
Increase in other payables and accruals		**90,406**	87,330
Cash generated from operations		**860,485**	586,709
Income tax paid		**(160,865)**	(139,875)
Net cash flows from operating activities		**699,620**	446,834

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2019

	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**26,830**	27,142
Purchase of items of property, plant and equipment	**(184,358)**	(159,952)
Purchase of financial assets at fair value through profit or loss	**(2,708,348)**	(435,900)
Proceeds from disposal of financial assets at fair value through profit or loss	**1,793,508**	671,754
Purchase of equity investments designated at fair value through other comprehensive income	**(315,065)**	(32,776)
Addition to other intangible assets	**(4,056)**	(171,715)
Payments for investments in associates	**—**	(21,263)
Disposal of a subsidiary	**(256)**	—
Repayment of loans from related parties	**30,100**	—
Advance of a loan to a related party	**(32,200)**	—
Advance of a loan to a third party	**(20,000)**	(9,608)
Received fund from government grants	**610**	57
Proceeds from disposal of property, plant and equipment	**46**	562
Net cash flows used in investing activities	**(1,413,189)**	(131,699)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**6,587**	—
Acquisition of treasury shares	**(38,181)**	—
Decrease in pledged deposits for bank borrowings	**(606)**	(7,408)
Repayments of bank borrowings	**(847,925)**	(791,953)
Proceeds from bank borrowings	**1,172,265**	221,490
Received capital injection from non-controlling shareholders	**44,367**	60,000
Principal portion of lease payments	**(2,437)**	—
Interest paid	**(12,122)**	(38,346)
Net cash flows from/(used in) financing activities	**321,948**	(556,217)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(391,621)**	(241,082)
Cash and cash equivalents at beginning of period	**1,792,605**	2,398,621
Effect of foreign exchange rate changes, net	**(21,094)**	(26,914)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,379,890**	2,130,625

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2019

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2019, the Group and its subsidiaries (hereinafter collectively referred to as the "**Group**") 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 2019 has been prepared in accordance with 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 2018.

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 2018, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 Changes in accounting policies and disclosures (continued)

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contact conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contact that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of IFRS 16 (continued)

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for certain buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, expect for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-time leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight -line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on the date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of IFRS 16 (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	343,448
Decrease in prepaid land lease payments	(335,205)
Increase in total assets	8,243
Liabilities	
Increase in lease liabilities (including current and non-current portion)	8,243

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	11,851
Weighted average incremental borrowing rate as at 1 January 2019	4.35%
Discounted operating lease commitments at 1 January 2019	10,589
Less:	
Commitments relating to short-term leases	2,346
Lease liabilities as at 1 January 2019	8,243

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of IFRS 16 (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of IFRS 16 (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets			
	Prepaid land lease payments RMB'000	Buildings RMB'000	Total RMB'000	Lease liabilities RMB'000
As at 1 January 2019	335,205	8,243	343,448	8,243
Additions	—	2,970	2,970	2,970
Depreciation charge	(4,384)	(1,778)	(6,162)	—
Interest expense	—	—	—	244
Payments	—	—	—	(2,437)
As at 30 June 2019	330,821	9,435	340,256	9,020

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profit or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of biopharmaceuticals	**2,625,040**	2,173,964
Technical service	**17,892**	—
	2,642,932	2,173,964

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods or services		
Sale of biopharmaceuticals	**2,625,040**	2,173,964
Technical service	**17,892**	—
Total revenue from contracts with customers	**2,642,932**	2,173,964
Geographical markets		
Mainland China	**2,575,205**	2,099,289
Others	**67,727**	74,675
Total revenue from contracts with customers	**2,642,932**	2,173,964
Timing of revenue recognition		
Goods transferred at a point in time	**2,625,040**	2,173,964
Services transferred over time	**17,892**	—
Total revenue from contracts with customers	**2,642,932**	2,173,964

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	**32,866**	30,208
Government grants related to		
— Assets	**14,685**	17,897
— Income	**14,529**	8,150
Others	**1,936**	5,289
	64,016	61,544
Gains		
Foreign exchange differences, net	**4,131**	53,029
Fair value gain on a derivative financial instrument	**—**	2,927
	4,131	55,956
	68,147	117,500

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**458,410**	427,319
Depreciation of items of property, plant and equipment	**89,430**	76,295
Amortisation of other intangible assets	**68,483**	65,059
Depreciation of right-of-use assets/recognition of prepaid land lease payments	**6,162**	4,095
Amortisation of long-term deferred expenditures	**1,721**	556
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**515,317**	434,170
Equity-settled compensation expenses	**340,511**	10,803
Pension scheme contributions	**37,972**	31,338
Social welfare and other costs	**40,164**	29,174
	933,964	505,485
Other expenses and losses:		
Research and development costs	**263,891**	178,005
Donation	**17,325**	13,785
Loss on disposal of items of property, plant and equipment	**693**	3,443
Provision for impairment of long-term receivables	**25,311**	364
(Reversal of provision)/provision for impairment of trade receivables	**(12,190)**	19,776
Provision for impairment of other receivables	**22,347**	3,493
Others	**1,230**	5,380
	318,607	224,246

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**12,079**	37,598
Interest on convertible bonds	**35,830**	35,806
Interest on lease liabilities	**244**	—
	48,153	73,404

7. 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 2019 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 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 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 2019.

7. INCOME TAX (continued)

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	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current	**138,636**	95,253
Deferred	**(43,252)**	(2,595)
Total tax charge for the period	**95,384**	92,658

8. DIVIDENDS

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Dividend on ordinary shares declared and accrued:		
Final dividend for 2017: HKD6.85 cents per share	**–**	140,308

No dividends were declared or paid by the Company during the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB140,308,000).

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 2019 attributable to ordinary equity holders of the parent of RMB321,294,000 (for the six months ended 30 June 2018: RMB514,197,000) and the weighted average of 2,534,175,711 (for the six months ended 30 June 2018: 2,538,796,890) 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 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	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**321,294**	514,197
Interest on convertible bonds	**—**	35,806
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**321,294**	550,003

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

	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period	**2,534,175,711**	2,538,796,890
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**—**	32,957,550
Share options	**2,040,029**	6,666,667
Convertible bonds	**—**	188,363,445
	2,536,215,740	2,766,784,552

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Carrying amount at 1 January	**1,791,961**	1,759,669
Additions	**118,058**	210,302
Depreciation provided during the period/year	**(89,430)**	(165,248)
Disposals	**(763)**	(13,152)
Exchange realignment	**(248)**	390
Carrying amount at 30 June / 31 December	**1,819,578**	1,791,961

Freehold land with a carrying amount of approximately RMB3,981,000 as at 30 June 2019 (31 December 2018: RMB3,996,000) 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 RMB67,115,000 as at 30 June 2019 (31 December 2018: RMB68,885,000). 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 2019.

The Group did not have any item of property, plant and equipment as at 30 June 2019 (31 December 2018: Nil) that has been pledged as security for the Group's interest-bearing bank borrowings.

11. INVENTORIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Raw materials	**126,443**	87,985
Work in progress	**201,260**	188,270
Finished goods	**94,003**	81,775
Consumables and packaging materials	**28,727**	27,365
	450,433	385,395
Provision for impairment of inventories	**(668)**	(786)
	449,765	384,609

12. TRADE AND NOTES RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	**1,510,858**	1,410,660
Notes receivable	**88,369**	136,854
	1,599,227	1,547,514
Provision for impairment of trade receivables	**(51,439)**	(63,629)
	1,547,788	1,483,885

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.

12. TRADE AND NOTES RECEIVABLES (continued)

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 1 year	**1,462,896**	1,347,031
1 to 2 years	**16,413**	38,939
Over 2 years	**31,549**	24,690
	1,510,858	1,410,660

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash and bank balances	**1,378,387**	1,791,104
Restricted cash	**1,503**	1,501
Pledged deposits	**15,004**	14,289
	1,394,894	1,806,894
Less:		
Pledged deposits for letters of credit	**(357)**	(248)
Pledged deposits for bank acceptance bills	**(14,647)**	(14,041)
Cash and cash equivalents	**1,379,890**	1,792,605

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

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The Group's cash and cash equivalents and deposits as at 30 June 2019 are denominated in the following currencies:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Denominated in:		
— RMB	**886,851**	674,036
— Hong Kong Dollar ("**HKD**")	**138,031**	142,063
— United States Dollar ("**USD**")	**214,536**	308,185
— Euro ("**EUR**")	**155,474**	682,607
— Great Britain Pound ("**GBP**")	**2**	3
	1,394,894	1,806,894

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 RMB15,004,000 (31 December 2018: RMB14,289,000) have been pledged to secure letters of credit and bank acceptance bills as at 30 June 2019.

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 3 months	**148,847**	92,046
3 to 6 months	**18,611**	18,721
Over 6 months	**3,210**	2,148
	170,668	112,915

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Accrued selling and marketing expenses	**389,707**	308,205
Accrued salaries, bonuses and welfare expenses	**149,038**	173,004
Contract liabilities	**10,750**	29,816
Due to related parties (note 21)	**70,809**	70,691
Taxes payable (other than income tax)	**35,670**	50,640
Interest payable	**115,090**	86,203
Payable to vendors of property, plant and equipment	**13,596**	16,956
Payable to vendors of other intangible assets	**7,143**	4,478
Others	**126,322**	105,732
	918,125	845,725

Other payables are non-interest-bearing.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current		
Bank loans — unsecured	**240,000**	—
Bank loans — secured	**929,932**	52,572
Current portion of long term bank loans — secured	**—**	517,756
	1,169,932	570,328
Non-current		
Other secured bank loans	**140,472**	425,022
Convertible bonds (note 17)	**2,297,745**	2,299,321
	2,438,217	2,724,343
Total	**3,608,149**	3,294,671

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**1,169,932**	570,328
In the second year	**135,000**	—
In the third to fifth years, inclusive	**5,472**	425,022
	1,310,404	995,350

Notes:

(a) For the six months ended 30 June 2019, the bank borrowings bore interest at fixed interest rates ranging from 2.75% to 4.65% (for the six months ended 30 June 2018: 2.75% to 4.65%) per annum.

(b) The bank borrowings were secured by 31.76% of the equity interests in Sunshine Guojian held by Shanghai Xing Sheng Pharmaceutical Company Limited, and 43.42% of the equity interests in Sunshine Guojian held by Full Gain Pharmaceutical Limited for the six months ended 30 June 2019.

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

17. CONVERTIBLE BONDS

On 21 July 2017, Strategic International Group Limited ("**Strategic**"), a direct wholly-owned subsidiary of the Company, issued Euro-denominated zero-coupon convertible bonds with a nominal value of EUR300,000,000.

None of the convertible bonds were repaid or redeemed during the period. The bonds are guaranteed by the Company and convertible at the option of the bondholders into ordinary shares with the initial conversion price of HKD14.28 per share at any time on and after 31 August 2017 and up to the close of business on the date falling seven days prior to 21 July 2022.

18. SHARE CAPITAL

Shares	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Issued and fully paid:		
2,534,992,051 (31 December 2018: 2,543,714,551) ordinary shares	155	156

A summary of movements in the Company's issued share capital for the six months ended 30 June 2019 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 2018 and 1 January 2019	2,543,714,551	156	4,376,056	4,376,212
Shares issued upon exercise of share option	1,007,500	—	9,779	9,779
Shares cancelled	(9,730,000)	(1)	(78,765)	(78,766)
Ordinary shares of USD0.00001 each at 30 June 2019	2,534,992,051	155	4,307,070	4,307,225

19. SHARE INCENTIVE SCHEME

Share option scheme adopted by the Company

On 26 September 2016, a total of 20,000,000 share options, each of which entitles the holders to subscribe for one ordinary share of the Company at an exercise price of HKD9.10, under the post-IPO share option scheme of the Company adopted on 23 May 2015 and 28 June 2016 (the "**Share Option Scheme**"), were granted to TMF (Cayman) Ltd. ("**TMF**"), as the trustee of The Empire Trust (the "**Grantee**"), a trust established by the Company for the beneficiaries who are executive directors and employees of the Group and its holding companies, and any other persons as nominated from time to time by the advisory committee of the Grantee that is established with the authority of the board of the directors of the Company. The share options will vest and become exercisable upon meeting certain vesting conditions. If the vesting conditions are not met, the share options will lapse.

On 2 February 2017, the Company and the Grantee had agreed that the grant of 20,000,000 share options which was approved by the board on 22 September 2016 was cancelled at nil consideration. By the date of cancellation, no beneficiary had been nominated by the advisory committee of the Grantee and no options had been designated to any beneficiary, and thus the Group did not recognise any share-based payment expenses in relation to the cancelled 20,000,000 share options. On the same date, a total of 20,000,000 share options, each of which entitles the holders to subscribe for one ordinary share of the Company at an exercise price of HKD7.62 (which is the highest of the closing price of HKD7.30 per share and the average closing price of HKD7.62 per share) were granted to TMF, as the trustee of the Grantee under the Share Option Scheme for the benefits of the designated beneficiaries. The share options will vest and become exercisable upon meeting certain vesting conditions. If the vesting conditions are not met, the share options will lapse.

The fair value of the share options at the grant date is estimated using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The contractual life of each option granted is ten years. There is no cash settlement of the share options. The fair value of share options granted on 2 February 2017 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	—
Expected volatility (%)	39.63
Risk-free interest rate (%)	1.91
Expected contractual life of share options (years)	10.00
Underlying share price (RMB)	6.45
Exercise price of each share option (RMB)	6.73

At the date of approval of the unaudited interim condensed financial information, the Company had 18,992,500 share options outstanding under the Share Option Scheme, which represented approximately 0.75% of the Company's shares in issue as at that date.

19. SHARE INCENTIVE SCHEME (continued)

Share option scheme adopted by the Company (continued)

There were no share options granted during the period (for the six months ended 30 June 2018: Nil). The Group had recorded share-based payment expenses of RMB5,401,000 in the statement of profit or loss for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB10,803,000).

Share options exercisable for 1,007,500 ordinary shares were exercised at an exercise price of HKD7.62 per share during the period, resulting in the issue of 1,007,500 ordinary shares of the Company and new share capital and share premium of RMB69 and RMB9,779,000, respectively (before issue expenses), as further detailed in note 18 to the interim condensed consolidated financial information (for the six months ended 30 June 2018: Nil).

Warrants granted by the Company

On 1 January 2015, the Company issued warrants to Shanghai Junling Investment Partnership (Limited Partnership), which was beneficially owned by certain management members of Sunshine Guojian (the "**Sunshine Guojian Warrants**"), in which the Group held an approximately 6.96% equity interest. The Sunshine Guojian Warrants entitle the holders to purchase 1,128.82033 ordinary shares of the Company at an exercise price of USD1.00 for each warrant. Pursuant to the subdivision of the par value of the Company's authorised shares from USD1.00 per share to USD0.00001 per share on 4 February 2015, the number of shares has been changed to 112,882,033 ordinary shares of the Company exercisable by the Sunshine Guojian Warrants and the exercise price from USD1.00 per share to USD0.00001 per share.

The Sunshine Guojian Warrants would vest and become exercisable upon meeting certain vesting and non-vesting conditions. If the vesting conditions are not met, the warrants will lapse.

The fair value at the grant date is estimated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the warrants were granted. The contractual life of each option granted is three and a half years. There is no cash settlement of the warrants. The fair value of warrants granted on 1 January 2015 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	—
Expected volatility (%)	37.50
Risk-free interest rate (%)	1.10
Contractual life of warrants (years)	3.50
Underlying share price (RMB)	70.50
Exercise price of each warrant (RMB)	0.00006

On the date of grant, the fair values of each of the Sunshine Guojian Warrants with the probability of meeting the non-vesting conditions of 30% and 50% were RMB19.37 and RMB32.26, respectively.

As at 31 December 2018, the Sunshine Guojian Warrants expired, and the remainder of the vested Sunshine Guojian Warrants, exercisable for 28,040,036 shares, had been forfeited.

19. SHARE INCENTIVE SCHEME (continued)

Employee share ownership plan adopted by Sunshine Guojian

As part of the Group's initiatives to incentivise the performance of its directors, senior management and employees, on 19 June 2019, the shareholders of Sunshine Guojian approved the adoption of the employee share ownership plan ("**ESOP**") to further promote the productivity and strong work performance of the directors, senior management and employees of the Group.

On 19 June 2019, the shareholders of Sunshine Guojian approved and resolved and increased its total issued share capital by a total of 44,367,221 shares, for the purpose of granting and allotting the awarded shares to the selected participants, (i) approximately 5.35% of which, representing 29,672,221 awarded shares were allotted and issued to connected grantees of the Group, and (ii) approximately 2.65% of which, representing 14,695,000 awarded shares were allotted and issued to non-connected grantees of the Group.

The fair value of the awarded shares at the grant date was estimated using a discounted cash flow model with the following assumptions:

Risk-free interest rate (%)	2.64
Weighted average cost of capital	14.00

The total consideration for the awarded shares involved was RMB44,367,000. The Group had recorded the expenses associated with the awarded shares under the ESOP of RMB335,110,000 in the statement of profit or loss for the six months ended 30 June 2019.

20. COMMITMENTS

The Group had the following capital commitments as at 30 June 2019:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	**267,553**	149,549
Capital contribution payable to funds	**721,667**	746,667
Initial payment on collaboration	**—**	56,632
	989,220	952,848

21. RELATED PARTY DISCLOSURES

Details of the Group's principal related parties are as follows:

Company	Relationship
Century Sunshine Limited ("**Century Sunshine**")	Ultimate shareholder of the Company
Sunshine Bio-Pharmaceutical Fund	Joint venture
Sunshine Medical Industry Fund	Associate
Refuge Biotechnologies, Inc. ("**Refuge**")	Associate
Shanghai Companion Diagnostics Technology Ltd. ("**Shanghai Companion**")	Associate
Beijing Huansheng Medical Investment Co., Ltd. ("**Beijing Huansheng**")	Under significant influence of a director of the Company and owned by certain middle management personnel of the Group
Liaoning Sunshine Technology Development Co., Ltd. ("**Liaoning Sunshine Technology**")	Subsidiary of Beijing Huansheng
Zhejiang Sunshine Pharmaceutical Co., Ltd. ("**Zhejiang Sunshine**")	Under significant influence of a director and key management personnel of the Company
Medical Recovery Limited ("**Medical Recovery**")	Under control of the directors of the Company

(a) The Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Convertible loan including interest to Zhejiang Sunshine	(i)	**37,335**	36,372
Loans including interest to Liaoning Sunshine Technology	(ii)	**64,387**	31,648
Loans to Beijing Huansheng	(iii)	**10,435**	10,477
Loans to Zhejiang Sunshine	(iv)	**62,751**	30,894
Loans to Medical Recovery	(v)	**213,847**	—
Loans to Sunshine Bio-Pharmaceutical Fund	(vi)	**100**	—
Loan from Century Sunshine	(vii)	**70,809**	68,151

21. RELATED PARTY DISCLOSURES (continued)

(a) The Group had the following transactions with related parties during the period: (continued)

Notes:

(i) On 29 March 2016, Shenyang Sunshine lent to Zhejiang Sunshine, a related party which was under significant influence of a director and key management personnel of the Company, a convertible loan with a principal amount of RMB75,000,000 at an annual interest rate of 8%. The convertible loan can be converted into equity interests in Zhejiang Sunshine at the discretion of Shenyang Sunshine. In 2017, Zhejiang Sunshine had repaid the principal amount of RMB50,000,000. The accrued interest for the six months ended 30 June 2019 was RMB481,000 (for the six months ended 30 June 2018: RMB1,000,000).

(ii) On 7 December 2016 and 23 December 2016, Sunshine Guojian extended loans, of which the principal amounts were RMB20,000,000 and RMB10,000,000, respectively, to Liaoning Sunshine Technology at an annual interest rate of 3.85%. Pursuant to supplemental agreements dated on 7 March 2018 and 23 March 2018, the maturity dates were extended to 6 March 2019 and 22 March 2019, respectively. Sunshine Guojian received the repayment of principal of RMB30,000,000 and the interest of RMB2,170,000 entirely from Liaoning Sunshine Technology during the period ended 30 June 2019.

On 20 June 2019, Sciprogen provided a loan to Liaoning Sunshine Technology, the principal amount of which was RMB32,200,000 at an interest rate of 3.915% per annum with the maturity date on 20 June 2020. The accrued interest for the six months ended 30 June 2019 was RMB17,000 (for six month ended 30 June 2018: nil).

(iii) On 26 May 2017, Zhejiang Wansheng provided a loan, of which the principal amount was RMB10,000,000, to Beijing Huansheng at an interest rate of 4.35% per annum with the maturity date on 26 May 2018. Pursuant to supplemental agreements dated on 27 May 2018 and 27 May 2019, the maturity date was extended to 26 May 2019 and 26 May 2020, respectively. The accrued interest for the six months ended 30 June 2019 was RMB217,000 (for the six months ended 30 June 2018: RMB477,000).

(iv) On 11 August 2017 and 18 September 2017, Shenyang Sunshine provided entrusted loans, of which the principal amounts were RMB20,000,000 and RMB10,000,000, to Zhejiang Sunshine at an annual interest rate of 3.48% with the maturity dates on 11 August 2018 and 18 September 2018, respectively. Pursuant to supplemental agreements dated on 9 August 2018, the maturity dates were extended to 8 August 2019. On 25 September 2018, Shenyang Sunshine provided a loan, of which the principal amount was RMB30,000,000, to Zhejiang Sunshine at an interest rate of 3.48% per annum with the maturity date on 25 September 2019. The accrued interest for the six months ended 30 June 2019 was RMB1,047,000 (for the six months ended 30 June 2018: RMB522,000).

On 8 August 2018, Xing Sheng provided a loan, of which the principal amount was RMB1,100,000 to Zhejiang Sunshine, with no maturity date and interest rate.

(v) On 17 July 2018, Strategic entered into a loan agreement with Medical Recovery to provide Medical Recovery a loan, of which the principal amount was USD30,000,000 at an interest rate of 4% per annum with the maturity date on 16 July 2019. The accrued interest for the six months ended 30 June 2019 was RMB5,326,000 (for six month ended 30 June 2018: nil).

(vi) On 24 December 2018, Shenyang Sunshine provided a loan, of which the principal amount was RMB100,000, to Sunshine Bio-Pharmaceutical Fund. Shenyang Sunshine received the repayment of RMB100,000 entirely from Sunshine Bio-Pharmaceutical Fund during the period ended 30 June 2019.

(vii) The Group repaid Century Sunshine a loan of USD5,500,000 entirely during 2017, which was equivalent to RMB37,135,000. As at 30 June 2019, the balance was approximately RMB70,809,000.

21. RELATED PARTY DISCLOSURES (continued)

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties at the end of the reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Due from related parties		
Current portion		
Medical Recovery	**211,708**	207,236
Zhejiang Sunshine	**44,832**	44,216
Liaoning Sunshine Technology	**31,878**	31,222
Directors and senior management	**7,536**	7,336
Beijing Huansheng	**4,771**	10,115
Sunshine Bio-Pharmaceutical Fund	**—**	100
	300,725	300,225

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Due from related parties		
Non-current portion		
Zhejiang Sunshine	**3,928**	28,758

21. RELATED PARTY DISCLOSURES (continued)

(b) Outstanding balances with related parties: (continued)

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Due to related parties		
Current portion		
Century Sunshine	**70,809**	70,691

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	**14,171**	12,364
Pension scheme contributions	**124**	238
	14,295	12,602

(d) Disposal of a subsidiary

On 7 May 2019, Shenyang Sunshine entered into an agreement with a middle management employee of the Group to dispose of 100% equity interests of Shanghai Aoxi Technology Information Consulting Co., Ltd. with a cash consideration of RMB5,000,000.

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	640,019	346,118	640,019	346,118
Financial assets at fair value through profit or loss	950,100	35,260	950,100	35,260
Derivative financial instrument	—	16	—	16
Long-term receivables	8,928	28,758	8,928	28,758
	1,599,047	410,152	1,599,047	410,152
Financial liabilities				
Interest-bearing bank and other borrowings: non-current	140,472	425,022	141,622	429,965
Lease liabilities	5,346	—	5,346	—
Convertible bonds	2,297,745	2,299,321	2,297,745	2,299,321
	2,443,563	2,724,343	2,444,713	2,729,286

The Group's finance team headed by the finance director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance director reports directly to the chief financial officer. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with senior management twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

The fair values of the non-current portion of interest-bearing bank and other borrowings, lease liabilities and convertible bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2019 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") multiple and price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent treasury or cash management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair value of derivative financial instrument is measured using Black-Scholes option pricing model which incorporates various markets observable inputs, including the risk-free interest rate, quoted market price of the underlying stock and dividend ratio.

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2019 and 31 December 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market approach	Discount for lack of marketability	30 June 2019: -10% to 10% (31 December 2018: -10% to 10%)	10% (31 December 2018: 10%) increase/decrease in discount would result in decrease/ increase in fair value of RMB863,000 and RMB862,000, respectively (31 December 2018: RMB809,000 and RMB798,000, respectively)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	204,010	—	—	204,010
Unlisted equity investments	—	—	436,009	436,009
Financial assets at fair value through profit or loss:				
Treasury or cash management products	—	950,100	—	950,100
	204,010	950,100	436,009	1,590,119

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	32,872	—	—	32,872
Unlisted equity investments	—	—	313,246	313,246
Financial assets at fair value through profit or loss:				
Treasury or cash management products	—	35,260	—	35,260
Derivative financial instrument	—	16	—	16
	32,872	35,276	313,246	381,394

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	2019 **RMB'000** **(Unaudited)**	2018 RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income — unlisted:		
At 1 January	**313,246**	48,333
Total (losses)/gains recognised in other comprehensive income	**(21,326)**	10,084
Purchases	**140,727**	32,738
Reclassification from investment in an associate	**—**	221,982
Exchange realignment	**3,362**	109
At 30 June	**436,009**	313,246

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2018: Nil).

23. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

24. APPROVAL OF ISSUANCE OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 21 August 2019.