三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 40285)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS*

- Revenue increased by RMB794.4 million or 14.2% to RMB6,382.0 million.
- Gross profit increased by RMB751.0 million or 16.6% to RMB5,275.7 million, and gross profit margin was 82.7%.
- Research and development costs increased by RMB163.5 million or 27.7% to RMB753.9 million, accounting for 11.8% of revenue.
- Net profit attributable to owners of the parents increased by RMB815.5 million or 97.6% to RMB1,651.2 million. Normalized net profit attributable to owners of the parent[1] increased by RMB560.6 million or 48.1% to RMB1,727.0 million.
- EBITDA increased by RMB832.0 million or 61.9% to RMB2,175.0 million. Normalized EBITDA[2] increased by RMB584.1 million or 36.4% to RMB2,190.3 million.
- The Board proposed to declare a final dividend of HKD20 cents per share for the year ended 31 December 2021 (2020: Nil).

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

Notes:

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

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

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
REVENUE	5	**6,382,009**	5,587,636
Cost of sales	6	**(1,106,286)**	(1,062,911)
Gross profit		**5,275,723**	4,524,725
Other income and gains	5	**330,069**	178,171
Selling and distribution expenses		**(2,324,017)**	(2,019,717)
Administrative expenses		**(371,488)**	(452,776)
Research and development costs		**(753,872)**	(590,343)
Other expenses	6	**(184,023)**	(549,472)
Finance costs	7	**(66,525)**	(81,066)
Share of profits and losses of:			
A joint venture		**(3,178)**	(525)
Associates		**(33,923)**	(29,868)
PROFIT BEFORE TAX		**1,868,766**	979,129
Income tax expense	8	**(241,193)**	(208,023)
PROFIT FOR THE YEAR		**1,627,573**	771,106
Attributable to:			
Owners of the parent		**1,651,247**	835,791
Non-controlling interests		**(23,674)**	(64,685)
		1,627,573	771,106
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	10	**RMB0.65**	RMB0.33
— Diluted	10	**RMB0.62**	RMB0.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,627,573**	771,106
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(38,047)**	(123,790)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(38,047)**	(123,790)
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	**72,333**	193,234
Income tax effect	**7,246**	3,819
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**79,579**	197,053
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**41,532**	73,263
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,669,105**	844,369
Attributable to:		
Owners of the parent	**1,692,779**	909,054
Non-controlling interests	**(23,674)**	(64,685)
	1,669,105	844,369

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,440,218**	2,621,379
Right-of-use assets		**388,035**	358,013
Goodwill		**3,843,883**	3,918,921
Other intangible assets		**1,849,164**	1,898,478
Investments in joint ventures		**3,767**	6,945
Investments in associates		**696,823**	749,722
Equity investments designated at fair value through other comprehensive income		**620,677**	897,717
Long-term receivables		**—**	2,200
Prepayments, other receivables and other assets		**298,835**	325,628
Deferred tax assets		**280,475**	219,282
Total non-current assets		**11,421,877**	10,998,285
CURRENT ASSETS			
Inventories		**690,523**	619,508
Trade and notes receivables	11	**1,378,757**	982,965
Prepayments, other receivables and other assets		**768,726**	587,917
Financial assets at fair value through profit or loss		**1,900,023**	1,272,862
Pledged deposits	12	**184,592**	125,823
Cash and cash equivalents	12	**2,868,077**	3,090,835
Total current assets		**7,790,698**	6,679,910
CURRENT LIABILITIES			
Trade and bills payables	13	**230,407**	203,286
Other payables and accruals		**921,214**	786,746
Deferred income		**33,905**	36,113
Interest-bearing bank and other borrowings	14	**150,189**	360,151
Lease liabilities		**10,564**	7,007
Tax payable		**73,710**	57,618
Total current liabilities		**1,419,989**	1,450,921
NET CURRENT ASSETS		**6,370,709**	5,228,989
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,792,586**	16,227,274

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**164,148**	53,315
Lease liabilities		**32,380**	32,219
Convertible bonds		**2,271,598**	2,461,427
Deferred income		**396,627**	308,460
Deferred tax liabilities		**264,468**	272,242
Other non-current liabilities		**5,568**	6,276
Total non-current liabilities		**3,134,789**	3,133,939
Net assets		**14,657,797**	13,093,335
EQUITY			
Equity attributable to owners of the parent			
Share capital		**155**	155
Share premium		**4,152,181**	4,297,946
Other reserves		**8,075,114**	6,391,213
		12,227,450	10,689,314
Non-controlling interests		**2,430,347**	2,404,021
Total equity		**14,657,797**	13,093,335

1. CORPORATE AND GROUP 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 year, the subsidiaries of the Company were principally engaged in the development, production, marketing and sale of biopharmaceutical products in the mainland area ("**Mainland China**") of the People's Republic of China (the "**PRC**").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and certain financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

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

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

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

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**6,240,921**	5,420,940
Others	**141,088**	166,696
	6,382,009	5,587,636

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

(b) Non-current assets

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**8,496,632**	7,822,314
Others	**2,024,093**	2,056,772
	10,520,725	9,879,086

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of biopharmaceuticals	**6,271,104**	5,481,629
Contract development and manufacturing operation business	**110,905**	78,417
Licensing revenue	**—**	27,590
	6,382,009	5,587,636

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of goods or services		
Sale of biopharmaceuticals	**6,271,104**	5,481,629
Contract development and manufacturing operation business	**110,905**	78,417
Licensing revenue	**—**	27,590
Total revenue from contracts with customers	**6,382,009**	5,587,636
Geographical markets		
Mainland China	**6,240,921**	5,420,940
Others	**141,088**	166,696
Total revenue from contracts with customers	**6,382,009**	5,587,636
Timing of revenue recognition		
Goods transferred at a point in time	**6,271,104**	5,481,629
Services transferred at a point in time	**110,905**	77,896
Services transferred over time	**—**	521
Licences or Intellectual Property ("**IP**") transferred at a point in time	**—**	27,590
Total revenue from contracts with customers	**6,382,009**	5,587,636

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of biopharmaceuticals	**33,733**	34,431

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of biopharmaceuticals

The performance obligation is satisfied upon receipt of the biopharmaceutical products by customers and payment is generally due within 60 to 90 days from reception, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and trade discounts which give rise to variable consideration subject to constraint.

Contract development and manufacturing operation business

The performance obligation is satisfied upon receipt of the technical services by customers or over time as services are rendered and payment is generally due within 60 to 90 days from reception, except for new customers, where payment in advance is normally required.

Licensing revenue

The performance obligation is satisfied at the point of time when customer obtains control of licence or IP.

	2021	2020
	RMB'000	*RMB'000*
Other income		
Government grants related to		
— Assets (a)	**27,718**	30,849
— Income (b)	**29,921**	51,719
Interest income	**98,653**	84,502
Dividend income	**4,011**	—
Others	**18,160**	3,949
	178,463	171,019
Gains		
Gain on repurchase of convertible bonds	**—**	6,527
Gain on deemed disposal of associates	**16,597**	625
Foreign exchange differences, net	**135,009**	—
	151,606	7,152
	330,069	178,171

Notes:

(a) The Group has received certain government grants to purchase items of property, plant and equipment. The grants are initially recorded as deferred income and are amortised against the depreciation charge of the underlying property, plant and equipment in accordance with the assets' estimated useful lives.

(b) The government grants have been received for the Group's contribution to the development of the local pharmaceutical industry. There are no unfulfilled conditions or contingencies attaching to these grants.

6. PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
Cost of inventories sold	**1,094,091**	1,061,971
Cost of service provided	**12,195**	940
Depreciation of property, plant and equipment	**183,029**	185,524
Depreciation of right-of-use assets	**22,621**	18,859
Amortisation of other intangible assets	**123,352**	156,554
Amortisation of long-term deferred expenses	**9,322**	6,381
Lease payments not included in the measurement of lease liabilities	**3,203**	4,851
Auditor's remuneration	**6,625**	6,525
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**1,014,218**	984,072
Equity-settled compensation expenses	**31,777**	100,964
Pension scheme contributions	**77,933**	31,294
Social welfare and other costs	**112,344**	128,241
	1,236,272	1,244,571
Other expenses and losses:		
Donation	**23,790**	102,898
Loss on disposal of items of property, plant and equipment	**13,892**	1,016
Foreign exchange differences, net	**—**	250,026
Reversal of provision for impairment of long-term receivables	**(2,800)**	(19,732)
Provision for impairment of trade receivables	**5,366**	879
Provision for impairment of prepayments, other receivables and other assets	**104,952**	26,363
Provision for impairment and write-off of other intangible assets	**—**	177,804
Provision for impairment of investment in an associate	**30,114**	—
Others	**8,709**	10,218
	184,023	549,472

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans	**3,269**	11,873
Interest on convertible bonds	**60,416**	67,472
Interest on lease liabilities	**2,840**	1,721
	66,525	81,066

8. INCOME TAX

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

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

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

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

Shenyang Sunshine, Sciprogen, Zhejiang Wansheng, NERC and Sunshine Guojian are qualified as High and New Technology Enterprises and are entitled to a preferential income tax rate of 15%. In accordance with relevant Italian tax regulations, Sirton Pharmaceuticals S.p.A. ("**Sirton**") is subject to income tax at a rate of 27.9% (2020: 27.9%).

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

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

	2021	2020
	RMB'000	*RMB'000*
Current	**302,914**	290,297
Deferred	**(61,721)**	(82,274)
Total tax charge for the year	**241,193**	208,023

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China to the tax expense at the effective tax rate is as follows:

	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**1,868,766**	979,129
At the PRC's statutory income tax rate of 25%	**467,192**	244,782
Preferential income tax rates applicable to subsidiaries	**(199,306)**	(61,225)
Additional deductible allowance for research and development expenses	**(100,366)**	(48,080)
Income not subject to tax	**(6,338)**	(3,454)
Effect of non-deductible expenses	**21,325**	11,168
Tax losses utilised from previous periods	**(80)**	(140)
Tax losses not recognised	**60,367**	37,469
Others	**(1,601)**	27,503
Tax charge at the Group's effective rate	**241,193**	208,023

The effective tax rate of the Group for the year ended 31 December 2021 was 12.9% (2020: 21.2%).

9. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Proposed and declared dividend	**—**	—

No dividends were declared or paid by the Company for the year ended 31 December 2020.

A final dividend in respect of the year ended 31 December 2021 of HKD 20 cents per share was proposed pursuant to a resolution passed by the Board on 28 March 2022 and subject to the approval of the shareholders at the 2022 annual general meeting. The proposed dividend is not reflected as dividend payable in the consolidated financial statements.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,543,041,835 (2020: 2,534,742,913) in issue during the year, as adjusted to reflect the issue of ordinary shares during the year.

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

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,651,247**	835,791
Interest on convertible bonds	**60,416**	67,472
Less: Gain on repurchase of convertible bonds	**—**	(6,527)
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds and gain on repurchase of convertible bonds	**1,711,663**	896,736

	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,543,041,835**	2,534,742,913
Effect of dilution — weighted average number of ordinary shares:		
Share options	**156,136**	2,796,830
Awarded shares	**14,885,448**	10,869,773
Convertible bonds	**212,035,522**	202,410,360
	2,770,118,941	2,750,819,876

11. TRADE AND NOTES RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**1,346,626**	912,431
Notes receivable	**89,927**	122,964
	1,436,553	1,035,395
Provision for impairment of trade receivables	**(57,796)**	(52,430)
	1,378,757	982,965

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**787,646**	515,759
1 to 3 months	**463,622**	319,032
3 to 6 months	**29,003**	22,570
6 months to 1 year	**17,073**	7,989
1 to 2 years	**6,806**	8,214
Over 2 years	**42,476**	38,867
	1,346,626	912,431

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**52,430**	51,551
Impairment losses, net	**5,366**	879
At end of year	**57,796**	52,430

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Ageing						
	Within 1 month	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**0.89%**	**0.86%**	**0.99%**	**0.93%**	**56.63%**	**100%**	**4.29%**
Gross carrying amount (RMB'000)	**787,646**	**463,622**	**29,003**	**17,073**	**6,806**	**42,476**	**1,346,626**
Expected credit losses (RMB'000)	**7,026**	**3,995**	**287**	**158**	**3,854**	**42,476**	**57,796**

As at 31 December 2020

	Ageing						
	Within 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.98%	0.95%	0.93%	0.83%	63.44%	100%	5.75%
Gross carrying amount (RMB'000)	515,759	319,032	22,570	7,989	8,214	38,867	912,431
Expected credit losses (RMB'000)	5,052	3,025	209	66	5,211	38,867	52,430

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021	2020
	RMB'000	*RMB'000*
Cash and bank balances	**2,803,262**	3,090,128
Restricted cash	**64,815**	707
Pledged deposits	**184,592**	125,823
	3,052,669	3,216,658
Less:		
Pledged deposits	**(184,592)**	(125,823)
Cash and cash equivalents	**2,868,077**	3,090,835

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.

The Group's cash and cash equivalents and deposits as at 31 December 2021 are denominated in the following currencies:

	2021	2020
	RMB'000	*RMB'000*
Denominated in:		
— RMB	**2,147,790**	2,738,328
— Hong Kong Dollar ("**HKD**")	**267,370**	18,083
— United States Dollar ("**USD**")	**458,950**	227,954
— Euro ("**EUR**")	**178,557**	232,291
— Great Britain Pound ("**GBP**")	**2**	2
	3,052,669	3,216,658

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the reporting period. Deposits of approximately RMB184,592,000 (2020: RMB125,823,000) have been pledged to secure letters of credit, bank acceptance bills and pending lawsuits and arbitration others as at 31 December 2021.

13. TRADE AND BILLS PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**198,307**	176,735
3 to 6 months	**23,896**	21,093
Over 6 months	**8,204**	5,458
	230,407	203,286

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans — unsecured	**3.15–3.30**	**2022**	**150,189**	3.15–3.30	2021	360,151
Non-current						
Bank loans — unsecured	**4.20**	**2029**	**30,000**	4.20	2029	30,042
Bank loans — secured	**2.75–4.10**	**2028–2031**	**134,148**	2.75	2028	23,273
			164,148			53,315
Convertible bonds	**1.50**	**2020–2025**	**2,271,598**	1.50	2020–2025	2,461,427
			2,435,746			2,514,742
			2,585,935			2,874,893

	2021	2020
	RMB'000	*RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**150,189**	360,151
In the third to tenth years, inclusive	**164,148**	53,315
	314,337	413,466

Notes:

(a) The bank borrowings bear interest at fixed interest rates ranging from 2.75% to 4.20% per annum.

(b) Certain of the Group's bank loans are secured by mortgages over the Group's freehold land, leasehold land, buildings and constructions in progress, which had net carrying values at the end of the reporting period of approximately RMB2,524,000 (2020: RMB2,806,000), RMB31,453,000 (2020: Nil), RMB78,307,000 (2020: RMB13,583,000) and RMB578,823,000 (2020: Nil), respectively.

(c) Certain of the Group's bank loans are secured by the 90.34% equity interests in NMV Desen Biotech Co., Ltd. held by Shenyang Sunshine.

(d) As at 31 December 2021, except for secured bank borrowings of RMB54,148,000 (2020: RMB23,273,000) which were denominated in EUR, all the bank borrowings were denominated in RMB.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

3SBio is a leading biotechnology company in the PRC. As a pioneer in the Chinese biotechnology industry, the Group has extensive expertise in researching and developing, manufacturing and marketing biopharmaceuticals. The core products of the Group include TPIAO (特比澳), recombinant human erythropoietin ("**rhEPO**") products EPIAO (益比奧) and SEPO (賽博爾), Yisaipu (益賽普), and Mandi (蔓迪). TPIAO is the only commercialized recombinant human thrombopoietin ("**rhTPO**") product in the world. According to IQVIA[1], the market share in the treatment of thrombocytopenia, in terms of sales value, of TPIAO in Mainland China was 72.1% in 2021. With its two rhEPO products, the Group has been the premier market leader in the Mainland China rhEPO market for two decades, holding a total share of 42.4% in 2021. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a share of 29.5% in the Mainland China TNF α market in 2021. According to the data of Chinese Pharmaceutical Association (中國藥學會, "**CPA**"), Mandi has a dominant market share of 71.2% in the Mainland China minoxidil tincture market in terms of sales value in 2021. The Group has been expanding its therapeutic coverage by adding products through internal research and development ("**R&D**") and various external strategic partnerships. Meanwhile, the Group boosts its revenue scale through strategic positioning in contract development and manufacturing operation ("**CDMO**") business. Its operation officially commenced since December 2021, witnessing strong growth in Mainland China.

Key Events

AstraZeneca Licenses Update

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

Lilly Collaboration Update

Due to streamlining of the Group's products portfolio, save for the distribution of Humulin cartridges and KwikPens, all the distribution and promotion arrangements between the Group and Lilly China (and its affiliate) ("**Lilly**") in relation to Humulin, a human insulin product, were

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1 All market share information throughout this announcement cites the IQVIA data, unless otherwise noted.

2 AstraZeneca refers to the applicable subsidiaries of AstraZeneca PLC.

terminated on 28 February 2021, and the Group was therefore relieved from any further and future obligations relating thereto. The Group will continue to explore any other collaboration and business opportunities with Lilly from time to time.

Anti-IL-4Rα mAb Phase Ib Progress

The anti-interleukin ("**IL**")-4Rα humanized monoclonal antibody ("**mAb**") (Group R&D code: 611), proprietarily developed by Sunshine Guojian (Shanghai Stock Exchange code: SH688336), is in phase Ib clinical study in Mainland China, to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of single/multi-dose of recombinant 611 injection in adult subjects with moderate to severe atopic dermatitis (**"AD"**), with patient enrolment completed in March 2022. 611 had completed a single dose escalation phase Ia clinical trial in healthy adult subjects in the United States (the "**U.S.**") with favourable safety and tolerability, as well as pharmacokinetics similar to that of Dupixent which is already launched by Sanofi.

AD is a chronic, recurrent and inflammatory skin disease. With very limited therapy drugs, the quality of life of AD patients is significantly impacted. According to the "Chinese Guideline for Diagnosis and Treatment of Atopic Dermatitis (2020)", in Mainland China, the AD incidence for children aged between 1 and 7 is found at 12.94%, while for infants of 1 to 12 months old this number is as high as 30.48%. AD is an auto-immune disease arising from abnormal immune responses. Currently, the most common treatment for AD, corticosteroid drugs, shows rather serious side effects, which limits its use. Therefore, AD is a disease with large unmet clinical needs.

IL-4Rα plays a key role in the pathogenesis of AD. 611 can regulate the immune function by inhibiting IL-4Rα and blocking the signaling of IL-4 and IL-13, so as to alleviate diseases such as AD. The completed studies show that the action mechanism of 611 and its preclinical and clinical trial data are to a rather high degree similar to Dupilumab, the only marketed drug worldwide targeting the interleukin 4 receptor (IL-4R).

Key Events after the Reporting Period

Anti-PD1 mAb out-licensed to Syncromune

As announced on 4 January 2022, Sunshine Guojian entered into a licensing agreement with Syncromune Inc. ("**Syncromune**"), a bio-pharmaceutical company headquartered in the U.S., to develop and commercialize Sunshine Guojian's anti-PD-1 mAb (Group R&D code: 609A) for use with Syncrovax™ immuno-oncology combination therapy worldwide. As part of the partnership, Sunshine Guojian has received an upfront payment and may receive future regulatory and sales milestone payments and other incentives; Syncromune acquired the global development and commercialization right of 609A for its Syncrovax™, while Sunshine Guojian still holds all the global rights beyond Syncrovax™.

The phase I trial of 609A in the U.S. has been completed, and its phase II trial in Mainland China is ongoing. Based on public records, 609A displays stronger anti-tumor potency in animal models than Keytruda and Opdivo, two imported drugs on market with same target.

Application for the Market Launch of 5% Minoxidil Foam

As announced on 11 January 2022, the application for the market launch of 5% Minoxidil Foam submitted to the PRC National Medical Products Administration ("**NMPA**") was accepted for the treatment of androgenetic alopecia. 5% Minoxidil Foam is the new-generation anti-hair loss and hair growth product of the Group, which is expected to be the first minoxidil foam approved for market launch in Mainland China. The application was based on a multi-centered, double-blind, randomized controlled clinical trial on patients with androgenetic alopecia to assess 5% Minoxidil Foam and ROGAINE®. The trial result shows that the efficacy of 5% Minoxidil Foam is equivalent to that of ROGAINE® and there is similarity between the two in terms of safety and tolerability. Androgenetic alopecia is the most common balding condition.

Arbitration of Sunshine Guojian

In July 2021, Aohai Biotechnology (Shanghai) Co., Ltd. ("**Aohai**") filed an arbitration application with Shanghai International Economic and Trade Arbitration Commission for a dispute with regards to its collaboration with Sunshine Guojian and the application has been accepted. Aohai requests to terminate its cooperation agreement with Sunshine Guojian signed in December 2015 and to pay it total compensation in the amount of RMB131.4 million. At the date of approval of the consolidated financial statements, the arbitration is still in progress.

The Directors of the Company have made an overall analysis including obtaining a legal opinion from outside legal counsel, according to which, the possibility of payable compensation is remote. There is no significant impact to the consolidated financial statements as at 31 December 2021.

Please also refer to "PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES – CS Sunshine Transactions" subsection in this announcement.

Key Products

TPIAO

TPIAO is the Group's self-developed proprietary product, and has been the only commercialized rhTPO product in the world since its launch in 2006. TPIAO has been approved by the NMPA for two indications: the treatment of chemotherapy-induced thrombocytopenia ("**CIT**") and immune thrombocytopenia ("**ITP**"). TPIAO has the advantages of higher efficacy, faster platelet recovery and fewer side effects as compared to alternative treatments for CIT and ITP.

TPIAO has been listed on the National Reimbursement Drug List ("**NRDL**") as a Class B Drug for the treatment of severe CIT in patients with solid tumors or ITP since 2017. According to the "Chinese Guideline on the Diagnosis and Management of Adult Primary Immune Thrombocytopenia (2020 version)"[3], rhTPO is one of the primary treatments for ITP emergency cases and is the first choice recommendation in the second line treatments list for both ITP and ITP in pregnancy. In the "Consensus on the Clinical Diagnosis, Treatment, and Prevention of Chemotherapy-Induced Thrombocytopenia in China (2019 version)"[4], rhTPO is one of the primary treatments for CIT. According to the "Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in China"[5], rhTPO is the first choice recommendation for boosting platelet production. According to the "Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in Adult Critical Illness in China"[6], TPO can be used to treat myelosuppressive thrombocytopenia. According to the "Experts Consensus for Emergency Management of Adult Thrombocytopenia in China"[7], rhTPO is one of the

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3 Issued by the Thrombosis and Hemostasis Group of the Chinese Society of Hematology of the Chinese Medical Association (the "**CMA**")

4 Issued by the Society of Chemotherapy and Committee of Neoplastic Supportive-Care (CONS), both being subordinate units under the China Anti-Cancer Association ("**CACA**")

5 Issued by the Chinese Society of Internal Medicine, of CMA in July 2020

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

7 Published in Chin J Emerg Med, February 2022, Vol. 31, No.2

treatments for emergency management of thrombocytopenia. In the "Chinese Guidelines for Treatment of Adult Primary Immune Thrombocytopenia"[8], rhTPO was included as the first choice recommendation for the second line treatments list. In the "CSCO Guidelines — Soft Tissue Sarcoma (2019)", rhTPO is a primary treatment strategy for thrombocytopenia accompanying treating soft tissue sarcoma. rhTPO has also received similar professional endorsements in several national guidelines and experts consensus on treating certain other diseases in Mainland China.

On 28 December 2020, TPIAO was approved for listing on the 2021 NRDL through negotiation. During 2021, the continuing sales growth of TPIAO was mainly derived from: 1) the continued increase in the number of hospitals covered; 2) the reduced pressure on patients under new medical insurance payment pricing; and 3) the enhanced market position for inpatients attributable to its safety and efficacy, and its continually supplanting traditional IL platelet-raising drugs in clinical use. The Group estimates that the penetration rates for CIT and ITP indications in Mainland China are in the range of approximately 27% to 35%. In 2021, its market share for the treatment of thrombocytopenia in Mainland China was 30.2% in terms of sales volume and 72.1% in terms of sales value. For the phase III clinical trial of TPIAO in the pediatric ITP indication, patient enrollment was completed in February 2022. For TPIAO in surgery patients with hepatic dysfunction at the risk of thrombocytopenia, the Group has initiated a phase Ib/II trial in September 2021, with the patient enrollment ongoing. Outside of Mainland China, TPIAO has been approved in nine countries, including the Philippines and Thailand. Currently, the European filing for TPIAO has been initiated.

EPIAO

EPIAO is still the only rhEPO product approved by the NMPA for the following three indications: the treatment of anemia associated with chronic kidney disease ("**CKD**"), the treatment of chemotherapy-induced anemia ("**CIA**") and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has been listed on the NRDL as a Class B Drug for renal anemia since 2000, and, additionally, for CIA in patients with non-hematological malignancies since 2019. EPIAO has also been listed on the 2018 National Essential Drug List. EPIAO has consistently been the premier market leader in the Mainland China rhEPO market since 2002 in terms of both sales volume and value. Further, EPIAO and SEPO together claim a majority market share of the Mainland China rhEPO market at 10,000 IU dosage. During 2021, the continuing sales growth of EPIAO was mainly derived from: 1) the increase in the number of basic medical institutions covered; 2) inclusion in the National Essential Drug List, and the greater willingness for prescription at the grassroot level; and 3) its clinical edges over oral drugs in terms of cost effectiveness and safety. In Mainland China, for NuPIAO (SSS06), a second-generation long-acting rhEPO to treat anemia, the patient enrollment for a phase III trial has started before the end of 2021; and, the patient enrollment in a randomized phase II clinical trial was completed by the end of December 2021 on RD-01, a pegylated long-acting rhEPO. Outside of Mainland China, EPIAO has been approved in 23 countries, including Brazil, Thailand and Pakistan. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand were completed in 2021, and study outcome achieved pre-defined efficacy endpoints.

[8] Published in the International Journal of Hematology in April 2018

Yisaipu

Yisaipu (Recombinant Human TNF-α Receptor II: IgG Fc Fusion Protein for Injection), is a TNF α inhibitor product. It was first launched in 2005 in Mainland China for rheumatoid arthritis ("**RA**"). Its indications were expanded to ankylosing spondylitis ("**AS**") and psoriasis in 2007. The Group actively participated in the development of the "2018 China Rheumatoid Arthritis Treatment Guidance" (the "**2018 China RA Guidance**"), an authoritative document issued by the CMA. In this Guidance, Yisaipu was adopted under 'TNF α inhibitors' as one of the RA treatment options, and TNF α inhibitors was deemed as a group of biological agents with relatively sufficient evidence and relatively wide adoption in treating RA. According to "The Standardized Diagnosis and Treatment of Rheumatoid Arthritis"[9], TNF α inhibitors is one of the treatments for RA. Yisaipu has been listed on the NRDL as a Class B Drug since 2017 for RA and for AS, each subject to certain medical prerequisites, and additionally, since 2019 for the treatment of adult patients with severe plaque psoriasis. Yisaipu is the first-to-market TNF α inhibitor product in Mainland China, with a share of 29.5% in the Mainland China TNF α market in 2021. Yisaipu were sold in more than 3,700 hospitals in Mainland China, including nearly 1,700 Grade III hospitals, in 2021. The Group believes that Yisaipu is still at an early stage of its product life cycle. According to the 2018 China RA Guidance, the usage rate of biologic DMARDs (Disease-Modifying Anti-Rheumatic Drugs) for treating RA in North America is 50.7%; while the usage rate in China is only 8.3% as found by a Chinese rheumatism registration study. Currently, the majority of the Group's sales of Yisaipu is generated from approximately 13% of the hospitals covered by the Group's sales team. The New Drug Application ("**NDA**") for the pre-filled aqueous injection solution of Yisaipu (Group R&D code: 301S) was re-submitted to the NMPA in July 2021. The application was accepted for review by the NMPA. Outside of Mainland China, Yisaipu has been approved in 15 countries, including Colombia, Indonesia, the Philippines and Pakistan.

Cipterbin

Cipterbin (Inetetamab) is the first innovative anti-HER2 mAb in Mainland China with the engineered Fc region and optimized production process. It was approved by the NMPA in June 2020 for the treatment of HER2-positive metastatic breast cancer in combination with chemotherapy, as it was proven to be capable of delaying the disease progression for, and bringing survival benefits to, HER2-positive metastatic breast cancer patients. Sunshine Guojian independently developed this product based on its proprietary technology platform. Cipterbin is listed on the 2020 NRDL. According to the "Guidelines of CSCO — Breast Cancer (2021 edition)", Inetetamab (Cipterbin) is a basic drug for the entire course of anti-HER2 therapy for patients with advanced breast cancer. According to the "Chinese Advanced Breast Cancer Consensus Guideline 2020 (CABC3)" issued by the China Medical Women's Association, Inetetamab (Cipterbin) is one of the preferred treatments of advanced breast cancer. Inetetamab is adopted in the "Guidelines for the Clinical Application of New Anti-tumor Drugs (2021 edition)" issued by the PRC National Health Commission, "Experts Consensus for Diagnosis and Treatment of human epidermal growth factor receptor 2 positive breast cancer (2021 edition)" published in the National Medical Journal of China, and "CACA Guidelines and Standards for Diagnosis and Treatment of Breast Cancer (2021 edition)"[10].

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[9] Issued by Chinese Rheumatology Association of the CMA, in Chin J Intern Med, January 2022, Vol. 61, No. 1

[10] Issued by the CACA Breast Cancer Subcommittee, in CHINA ONCOLOGY 2021 Vol. 31 No. 10

Mandi

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

According to CPA's data, Mandi has a market share of 71.2% in Mainland China in 2021, with a year-on-year growth of 63.7% in sales value. The sales coverage of Mandi currently extends to more than 2,000 medical institutions in Mainland China, and strategic cooperation with Yonghe Hair Transplant, a hair transplant chain, is established. Meanwhile, the sales channels of Mandi also cover nearly 65,000 retail pharmacies, as well as Internet sales platforms, such as Tmall and JD.com. The Group expects the following drivers in the future growth of Mandi: 1) coverage expansion in medical institutions. Mandi has been introduced into more than 700 active hair clinics in China and its coverage continues to expand. The medical institutions have seen Mandi's safety and effectiveness tested for more than ten years, with more than one million patients treated and the number increasing. The continuous building of hospital channels will enhance the professional status of Mandi brand, and will also help to convert high loyalty customers for retail and e-commerce channels. For the year ended 31 December 2021, the revenue of Mandi from medical institutions accounted for approximately 20% of its total revenue, an increase of approximately 35% year-on-year; 2) expansion of coverage of retail pharmacies. As Mandi currently has low coverage in retail pharmacies, there is potential for improvement. For the year ended 31 December 2021, the revenue of Mandi from retail pharmacies accounted for approximately 23% of its total revenue, an increase of 150% year-on-year. It is expected that the coverage of retail pharmacies will be expanded through marketing activities; 3) online brand operation. Mandi has been launched in online stores such as AliHealth Pharmacy, JD Pharmacy and brand flagship stores. The digital marketing system accurately reaches and converts potential customers, and the refined operation in and outside websites will continuously boost consumption on e-commerce platforms. For the year ended 31 December 2021, the revenue of Mandi from e-commerce accounted for approximately 57% of its total revenue, an increase of 55% year-on-year; 4) potential launch of new product formulation. The phase III study of the foam form of Mandi, comparing head-to-head in male hair loss patients to Rogaine®, the leading minoxidil drug in the U.S., has been successfully completed, showing Mandi foam being of equivalent efficacy and similar safety and tolerability. The application for market launch of Mandi foam was accepted by the NMPA, as announced on 11 January 2022. If approved, Mandi will likely be the only minoxidil foam in the Mainland China market, which will significantly improve its market competitiveness.

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

*Remitch (*product candidate)*

In December 2021, the NDA of nalfuraphine hydrochloride orally disintegrating tablets (Group R&D code: TRK-820, marketed in Japan as "Remitch") in collaboration with Toray Industries Inc. ("**Toray**") was accepted for review by the NMPA. The Group is actively preparing for the product launch.

According to the results of the global survey DOPPS (Dialysis Outcomes and Practice Patterns Study), as high as 39% of hemodialysis patients in Mainland China are suffering from moderate or more severe level of skin itching, and patients suffering from severe or acutely severe skin itching are up to 19%. Pruritus and the accompanying persistent sleep obstacles have become one of the important causes of depression suffered by hemodialysis patients; there is also a clear correlation between the state of depression and the increased death rates in hemodialysis patients. At present, while antihistamines are one of the most commonly used drugs for treatment of skin pruritus in China, it is not very effective for treating hemodialysis pruritus, and using antihistamines alone is quite difficult to improve their quality of life effectively. The therapeutic effect of other treatments ranging from local phototherapy to skin lubricants, topical hormones, oral gabapentin or pregabalin is merely to a limited extent. For those hemodialysis patients who do not experience satisfactory results from such treatments for pruritus, there is presently no effective treatment method.

TRK-820 is a highly selective κ (kappa)-opioid receptor agonist developed by Toray. The soft capsule dosage-form of the TRK-820 has been launched in Japan since 2009 and Korea since 2016 to treat hemodialysis pruritus, which is limited to circumstances where current treatments do not produce satisfactory results. Additional indications of TRK-820, including pruritus in chronic liver disease patients and pruritus in peritoneal dialysis patients were approved in Japan in 2015 and 2017, respectively. The orally disintegrating tablet was approved and launched in Japan in 2017. The orally disintegrating tablet can be taken with or without water, which is particularly suitable for patients whose swallowing capabilities have deteriorated or those who have restrictions on water intake, and therefore is expected to improve drug intake compliance of patients. According to the results of the Group's bridging clinical study, doses of 5μg and 2.5μg of nalfuraphine hydrochloride orally disintegrating tablets can safely improve the symptoms of hemodialysis patients with refractory pruritus when compared with the placebo. TRK-820 is the first drug in Mainland China targeting hemodialysis pruritus with an expected early market launch, and is expected to alleviate the pruritus symptoms and improve patient quality of life, thereby bringing benefits to the large number of hemodialysis pruritus patients in Mainland China.

CDMO Business

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

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

The Group believes that it possesses various competitive advantages in the CDMO business, including the technological advantages associated with engaging in the whole process spanning from R&D to production of biopharmaceutical products over the years; the scalable cost advantages of a single 10,000-litre bioreactor for commercial production; the production cost advantages brought by the capability to manufacture raw materials such as culture medium and chroma-tographic filler; and the quality control management advantage with high level of automation. For the year ended 31 December 2021, the Group's CDMO business completed orders of approximately RMB110.9 million from customers, including leading domestic and international pharmaceutical companies and biotechnology companies, with services covering various steps from pre-clinical stage to commercialization for drugs.

Research and Development

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

The Group focuses its R&D efforts on researching and developing innovative biological products as well as in small molecule therapeutics. Currently, the Group has several leading biological products in various stages of clinical development, including 304R (an anti-CD20 antibody to treat non-Hodgkin's lymphoma and other autoimmune diseases), 301S (the pre-filled aqueous injection solution of Yisaipu), SSS06 (NuPIAO, a second-generation rhEPO to treat anemia), RD-01 (a pegylated long-acting rhEPO to treat anemia), SSS07 (an anti-TNF α antibody to treat RA and other inflammatory diseases), pegsiticase (a modified pegylated recombinant uricase from candida utilis to treat refractory gout), 601A (an anti-vascular endothelial growth factor ("**VEGF**") antibody to treat age-related macular degeneration ("**AMD**") and other ophthalmological diseases), 602 (an anti-EGFR antibody to treat cancer), 608 (an anti-IL-17A antibody to treat autoimmune and other inflammatory diseases), 609A (an anti-programmed cell death protein 1 ("**PD1**") antibody to treat cancer), 610 (an anti-IL-5 antibody to treat severe asthma), and 611 (an anti-IL4R antibody to treat AD). On the small molecule side, the Group is conducting clinical trials of two innovative products: nalfurafine hydrochloride (TRK-820, a highly selective kappa receptor agonist) to treat pruritus in hemodialysis patients, and HIF-117 capsule (SSS17, a selective small molecule inhibitor to hypoxia inducible factor ("**HIF**") proline hydroxylase) to treat anemia. In addition, the Group is performing bio-equivalency studies of a number of generic small molecule products in the field of nephrology, autoimmune and dermatological diseases.

On the research front, the Group is developing a panel of novel biological products, including mAbs, bi-specific antibodies and fusion proteins, and a number of small molecule drugs, both innovative and generic, in the areas of oncology, auto-immune and inflammatory diseases, nephrology, ophthalmology and dermatological diseases.

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

Product Pipeline

As at 31 December 2021, amongst the 33 product candidates within the Group's active pipeline, 26 were being developed as innovative drugs in Mainland China. Out of these 33 product candidates, 18 are mAb or bi-specific antibodies, seven are other biologic products, and eight are small molecule entities. The Group has ten product candidates in oncology; 16 product candidates that target auto-immune diseases including RA, and other diseases including refractory gout and ophthalmological diseases such as AMD; six product candidates in nephrology; and one product candidate in dermatology.

Notes:

1. Each arrow bar in the R&D Pipeline chart below indicates the progress in Mainland China. Remarks starting with "*" note the progress in the U.S.

2. BE: Bio-equivalence assessment

3. IND: means investigational new drug

Key Product Developments

— New Drug Application submission and phase III development

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

Minoxidil foam formulation (MN709): The Group has completed a multi-centered, randomized, and double-blinded phase III study comparing head-to-head of MN709 to Rogaine® in male patients with hair loss. The study result shows that the efficacy of MN709 is equivalent to that of ROGAINE® and there is similarity between the two in terms of safety and tolerability. As announced on 11 January 2022, an NDA to the NMPA was accepted for review.

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

TPIAO (TPO): The Group has started a phase III clinical trial of TPIAO in the pediatric ITP indication. Patient enrollment was completed in February 2022. A phase I clinical trial for TPIAO in surgery patients with chronic hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group has initiated a phase Ib/II trial in September 2021, and the patient enrollment is ongoing.

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

Anti-CD20 mAb (304R): The Group has completed the internal auditing of the participating clinical trial sites and data in the previously completed phase III trial and is finalizing the clinical study reports. The Group has completed a phase I head-to-head trial comparing 304R (Jiantuoxi) with rituximab (Rituxan®) in non-Hodgkin's lymphoma patients with zero tumour burden, with major endpoints of safety and pharmacokinetics.

Anti-VEGF mAb (601A): the Group has completed the patient enrollments for the phase II trial of 601A for branch retinal vein occlusion (BRVO) and central RVO (CRVO), and has been approved by the NMPA for conducting phase III clinical trial for AMD.

NuPIAO (EPO, SSS06): The Group has completed a phase II clinical trial, and completed the data readout in December 2021. The Group has kicked off a phase III trial of the product in November 2021 with the approval from the NMPA, and started patient enrollment before the end of 2021.

— Phase II development

Peg-EPO (RD-01): The Group has completed a dose-escalating phase I safety and pharmacokinetics study of RD-01 in healthy volunteers. Patient enrollment in a randomized phase II clinical trial was completed by the end of December 2021.

Anti-IL17A mAb (608): The phase II trial of 608 in patients with plaque psoriasis has completed patient enrollment. The phase III trial is expected to initiate before 2022 year end. The Group submitted an IND application for 608 in Axial Spondyloarthritis (SpA) indication in March 2022.

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

Anti-EGFR mAb (602): The Group has completed two phase I trials of 602: one in healthy volunteers and the other in patients with colorectal cancer, and has initiated a phase II clinical trial of the product in patients with colorectal cancer. Patient enrollment has been completed in October 2021 and the Group is planning to initiate a phase III trial. A request on pre-phase III trial of 602 in patients with colorectal cancer has been submitted to the NMPA by the end of 2021.

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

Anti-PD1 mAb (609A): The Group has completed a U.S. phase I trial of 609A in patients with various cancers. Its phase II trials in Mainland China are ongoing. The Group is conducting several trials for the product in multiple cancer indications, both as a single agent therapy and in various combination therapies. To date, the Group has received several IND approvals from the NMPA for 609A in combination with 302H, bevacizumab, and/or chemotherapies in various cancer indications, including breast cancer, hepatocellular carcinoma, gastric cancer and soft tissue sarcomas.

Anti-IL1 β mAb (613): The Group received an IND approval from the NMPA for 613 in acute gout (AG) indication in March 2022, with the phase Ib/II trial now in initiation.

— Phase I development and new IND applications

Anti-IL5 mAb (610): The phase Ib trial of 610 in asthma patients is enrolling patients, and the enrollment is expected to complete in the second quarter of 2022.

Anti-IL4Rα mAb (611): A dose-escalating phase Ia clinical trial in healthy volunteers has been completed in the U.S. The phase Ib study in patients with AD in Mainland China has completed patient enrollment in March 2022. The IND application for 611 in chronic rhinosinusitis (CRS) is on-going and is expected to complete in the second quarter of 2022.

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

Anti-HER2 mAb (612): In May 2021, the Group received an IND approval from the NMPA to conduct clinical trials of 612, a novel anti-HER2 mAb directed against different epitopes to those of trastuzumab and pertuzumab, to treat HER2 positive cancer patients. In pre-clinical studies, 612 has demonstrated significant synergistic antitumor activity when combined with 302H, trastuzumab, or a combination of 302H and pertuzumab. Patient enrollment is expected to start in early 2022.

Anti-PD1 x anti-HER2 bispecific antibody (705): In June 2021, the Group received an IND approval from the U.S. FDA to conduct clinical trials of 705 in HER2 positive solid cancer patients. An IND approval of 705 has also been received in September 2021 from the NMPA.

Anti-PD1 x anti-PD-L1 bispecific antibody (706): In October 2021, the Group received an IND approval from the U.S. FDA to conduct clinical trials of 706 in solid tumor patients. An IND approval of 706 also has been received in December 2021 from the NMPA.

Anti-PSGL-1 mAb (617): the Group has been approved by the NMPA for conducting phase I clinical trial for advanced solid tumors. 617 is the first antagonistic antibody targeting PSGL-1 in Mainland China. Verseau Therapeutic, Inc., the Group's partner, has received an IND approval from the U.S. FDA for the drug, and will initiate its phase Ia/Ib clinical study for solid tumors in the first quarter of 2022.

Sales, Marketing and Distribution

The Group's sales and marketing efforts are characterized by a strong emphasis on academic promotion. The Group aims to promote and strengthen the Group's academic recognition and the brand awareness of its products among medical experts. The Group markets and promotes its key products mainly through its in-house team. The Group sells these products to distributors who are responsible for delivering products to hospitals and other medical institutions. Mandi is sold through retail pharmacies and online stores.

As at 31 December 2021, the Group's extensive sales and distribution network in Mainland China was supported by approximately 2,714 sales and marketing employees, 1,001 distributors and 2,011 third-party promoters. In 2021, the Group's products were sold in over 2,500 Grade III hospitals and over 6,000 Grade II or lower hospitals and medical institutions across all provinces, autonomous regions and special municipalities in Mainland China. In addition, TPIAO, Yisaipu, EPIAO, SEPO and some of the Group's other products are exported to a number of countries through international promoters.

Outlook

Since the introduction of the reform of new drugs evaluation and approval, the Mainland China biopharmaceutical market sees rising degrees of openness, and the number of imported and domestic innovative drugs continues to increase, thereby witnessing a continuous expansion of the market size. According to the data from Frost & Sullivan, the size of the Mainland China biopharmaceutical market in 2021 was estimated to be nearly RMB406 billion, with a compound annual growth rate exceeding 20% in 5 years. Nevertheless, when compared globally, the utilisation rate of biologics remains at the initial stage in Mainland China. Therefore, the Group believes that the Mainland China biopharmaceutical market will continue to expand its scale and coverage and penetrate into the grassroot level, and the market will continue to optimize the treatment options of tumors and chronic diseases, and the variety of domestic blockbuster biopharmaceutical drugs will continue to increase.

From the perspective of innovation policy, the pilot Marketing Authorization Holder ("**MAH**") system in 2016 opened up the final bottleneck of pharmaceutical innovation. With the separation of the marketing approval and the manufacturing approval for pharmaceutical companies, the R&D institutions can achieve faster coming on market for innovative products through contract manufacturing. After five years of implementation, MAH drugs are now gradually progressing to market launch, bringing continuous growth to the domestic CDMO industry. With the ongoing advances of medical insurance reform and national centralized drug procurement, the innovative feature and cost control of domestic biopharmaceuticals become more eminent, and the CDMO demand of domestic biopharmaceuticals will persist at a high level.

In the consumer area, as the quality of life improves, there is significant rise in demand for consumer medical treatment in Mainland China, thereby creating great market potential for the growth of externally used OTC hair growth medicines. Given that there are more than 250 million people suffering from hair losses in Mainland China, we expect that with people's growing awareness of hair health, the scale of the hair growth market will continue to expand. In this market, externally used hair growth medicines, leveraging on its assured safety profile and efficacy, will become an important player. We believe that as the safety profile and efficacy of externally used OTC hair growth medicines have been validated by clinical tests over years, along with their ready availability, such products can enrich the treatment options for patients suffering from hair loss.

In terms of our own development strategy, the Group has responded firmly to the national guidance on independent innovation and further deepening of medical security. By adhering to the concept of "letting high quality drugs be generally available for patients", the Group continues to strengthen the commercialization and innovation capacities of its biopharmaceuticals, thereby promoting sustainable development of its performance in the long run. The Group will constantly focus on its advantages in the fields of nephrology and autoimmunity, fully utilise its advantages of integrated research, production and sales, deepen its penetration into the grassroot market, expand the product matrix, combine endogenous growth with extended external collaborations, and deploy early to meet the practical needs of an aging Mainland China society. For marketed drugs including TPIAO, EPIAO, SEPO and Yisaipu, the Group firmly adheres to the strategy of deepening grassroot development and continues to pursue a wider patient coverage while actively responding to the call for adjustment of national medical insurance prices. Moreover, the Group is committed to creating a forward-looking layout in order to build large-scale production capacity to ensure a more adequate supply of higher quality medicines at lower prices.

In 2021, through strategically integrating the Group resources, the CDMO business platform was officially launched and became independently operated. Leveraging its deep experience and production capacity advantage in the biopharmaceuticals field, the Group empowers many domestic biotechnology companies and expedites the launching of high-quality new domestic drugs. With a highly localized supply chain, the Group reduces the stranglehold risk imposed by overseas suppliers on the R&D of domestic customers, thereby maximizing the value of the Group's businesses and fostering new business growth points. Moreover, on top of the existing antibody drugs CDMO, the Group will closely monitor industry trends, and has built in incubation CDMO production facilities covering gene therapy and cell therapy. In biopharmaceutical CDMO field, the Group is making strategic moves with foresight, and pursuing planned expansion and solid long-term growth.

As for market expectation of Mandi as a consumer product, the Group expects that with the intensified market promotion for Mandi and leveraging its advantageous position as a leading external OTC hair growth medicine with remarkable safety profile and efficacy, together with its extensive product specifications and restructured production capacity, it is possible for Mandi to achieve a higher penetration and sustain rapid performance growth.

Regarding the R&D layout, the Group has consistently pursued excellence in innovation and technology. Our extensive product portfolio comprises 33 pipeline candidates, with 26 candidates developed as innovative drugs in Mainland China. The Group continues to focus its resources on four core therapeutic areas, which are autoimmune diseases, oncology, nephrology and dermatology. Among them, the autoimmune diseases segment includes anti-IL-4Rα antibody, anti-IL-5 antibody, anti-IL-1β antibody and anti-IL-17A antibody that rank in the first R&D echelon in Mainland China. The Group will continue to focus on building up its in-house clinical development capacity and expediting the clinical progress in order to advance its integrative research capability.

The Group has always pursued external collaboration on the themes of "global innovation" and "fields synergy", putting equal emphasis on both "bringing in" and "going out". On the side of bringing in to the country, the Group collaborates with the world's leading biotechnology and pharmaceutical companies to satisfy the unmet clinical needs of domestic patients. The Group, in collaboration with Toray, introduces nalfuraphine hydrochloride orally disintegrating tablets (TRK-820) to fill in the market gaps for hundreds of thousands of dialysis patients and even greater number of patients with liver disease who suffer from pruitus in the domestic market. On the going overseas side, the global right of the PD-1 mAb (609A) proprietarily developed by the Group for specific combination therapy (tumor immunotherapy Syncrovax) was granted to Syncromune in the U.S.. The Group may receive payments totaling several hundreds of millions of USD including an upfront payment, milestone payments, and other incentives.

In 2021, although the effects of the COVID-19 pandemic were significantly alleviated in Mainland China and abroad, the operations of the domestic and overseas markets have yet to fully recover due to the impacts of regional and intermittent pandemic outbreaks, and therefore business operations still face uncertainties, risks and challenges. Nevertheless, the Group will continue to operate in a prudent and positive manner. By leveraging from the experiences of managing and operating in the normalcy of the pandemic condition, the Group is working out more mature and systemic measures to ensure that its business and operations are moving forward in an orderly and stable manner.

Financial Review

Revenue

For the year ended 31 December 2021, the Group's revenue amounted to approximately RMB6,382.0 million, as compared to approximately RMB5,587.6 million for the year ended 31 December 2020, representing an increase of approximately RMB794.4 million, or approximately 14.2%. The increase was mainly attributable to the strong sales growth of TPIAO, rhEPO products, Yisaipu and Mandi.

For the year ended 31 December 2021, the Group's sales of TPIAO increased to approximately RMB3,080.0 million, as compared to approximately RMB2,762.7 million for the year ended 31 December 2020, representing an increase of approximately RMB317.3 million, or approximately 11.5%. The increase was primarily attributable to an increase in sales volume. Sales of TPIAO was not severely affected by the outbreak of the COVID-19 pandemic mainly due to the inelastic nature of the medical need of its target patients. For the year ended 31 December 2021, the sales of TPIAO accounted for approximately 48.3% of the Group's total revenue.

For the year ended 31 December 2021, the Group's combined sales of EPIAO and SEPO increased to approximately RMB1,119.7 million, as compared to approximately RMB973.9 million for the year ended 31 December 2020, representing an increase of approximately RMB145.7 million, or approximately 15.0%. The increase was mainly due to the increase in sales volume which was in turn primarily driven by the improved penetration rate, as rhEPO has become a necessary basic drug at lower tier public medical institutions. For the year ended 31 December 2021, the Group's sales of EPIAO increased to approximately RMB833.7 million, as compared to approximately RMB733.0 million for the year ended 31 December 2020, representing an increase of approximately RMB100.7 million, or approximately 13.7%. For the year ended 31 December 2021, the Group's sales of SEPO increased to approximately RMB286.0 million, as compared to approximately RMB240.9 million for the year ended 31 December 2020, representing an increase of approximately RMB45.0 million, or approximately 18.7%. For the year ended 31 December 2021, the sales of EPIAO and SEPO accounted for a total of approximately 17.5% of the Group's total revenue.

For the year ended 31 December 2021, the Group's sales of Yisaipu increased to approximately RMB788.7 million, as compared to approximately RMB615.3 million for the year ended 31 December 2020, representing an increase of approximately RMB173.4 million, or approximately 28.2%. The increase was mainly attributable to the increased sales volume which was driven by the price reduction since October 2020. For the year ended 31 December 2021, the sales of Yisaipu accounted for approximately 12.4% of the Group's total revenue.

For the year ended 31 December 2021, the Group's sales from alopecia area were approximately RMB619.4 million, as compared to approximately RMB385.4 million for the year ended 31 December 2020 representing an increase of approximately RMB234.1 million, or approximately 60.7%. The increase was mainly attributable to the increased market demand for hair loss and growth treatments, which was driven by the Group's diversified and effective promotional efforts. For the year ended 31 December 2021, the Group's sales of Mandi increased to approximately RMB601.6 million, as compared to approximately RMB367.6 million for the year ended 31 December 2020, representing an increase of approximately RMB234.0 million, or approximately 63.7%. For the year ended 31 December 2021, the sales from alopecia area accounted for approximately 9.7% of the Group's total revenue.

For the year ended 31 December 2021, the Group's revenue from CDMO business and licensing revenue increased to approximately RMB110.9 million, as compared to approximately RMB106.0 million for the year ended 31 December 2020, representing an increase of approximately RMB4.9 million, or approximately 4.6%. The increase was mainly attributable to the increased CDMO orders from customers.

For the year ended 31 December 2021, the Group's other sales, which primarily consisted of sales from license-in products, export sales and other products, decreased to approximately RMB692.7 million, as compared to approximately RMB770.2 million for the year ended 31 December 2020, representing a decrease of approximately RMB77.4 million, or approximately 10.1%. The decrease was mainly due to the termination of the exclusive distribution rights in relation to Bydureon and Humulin and was partially offset by the launch of new products.

Cost of Sales

The Group's cost of sales increased from approximately RMB1,062.9 million for the year ended 31 December 2020 to approximately RMB1,106.3 million for the year ended 31 December 2021, which accounted for approximately 17.3% of the Group's total revenue for the same period. The increase in the Group's cost of sales was due to the increased sales volume for the year ended 31 December 2021, as compared to the corresponding period in 2020.

Gross Profit

For the year ended 31 December 2021, the Group's gross profit increased to approximately RMB5,275.7 million, as compared to approximately RMB4,524.7 million for the year ended 31 December 2020, representing an increase of approximately RMB751.0 million, or approximately 16.6%. The increase in the Group's gross profit was broadly in line with its revenue growth during the year. The Group's gross profit margin increased to approximately 82.7% for the year ended 31 December 2021 from approximately 81.0% for the corresponding period in 2020. The increase was mainly due to the sales growth of TPIAO, which had a higher gross profit margin, and the termination of the exclusive distribution rights in relation to Bydureon and Humulin, which had a lower profit margin than the Group's other businesses.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income, foreign exchange gain, fair value gain on deemed disposal of investment in associates and other miscellaneous income. For the year ended 31 December 2021, the Group's other income and gains increased to approximately RMB330.1 million, as compared to approximately RMB178.2 million for the year ended 31 December 2020, representing an increase of approximately RMB151.9 million, or approximately 85.3%. The increase was mainly attributable to the recognition of foreign exchange gain in 2021, as opposed to the foreign exchange loss incurred in 2020.

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 year ended 31 December 2021, the Group's selling and distribution expenses amounted to approximately RMB2,324.0 million, as compared to approximately RMB2,019.7 million for the year ended 31 December 2020, representing an increase of approximately RMB304.3 million, or approximately 15.1%. The increase was broadly in line with

its revenue growth during the year. In terms of the percentage of revenue, the Group's selling and distribution expenses represented approximately 36.4% for the year ended 31 December 2021 as compared to approximately 36.1% for the year ended 31 December 2020.

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 year ended 31 December 2021, the Group's administrative expenses amounted to approximately RMB371.5 million, as compared to approximately RMB452.8 million for the year ended 31 December 2020, representing a decrease of approximately RMB81.3 million, or approximately 18.0%. The decrease was mainly due to the effects of the expenses associated with the share options and the share awards of the Company and the ESOP of Sunshine Guojian. Had the effects of the non-recurring items been excluded, the administrative expenses for the year ended 31 December 2021 would have been approximately RMB339.6 million, as compared to approximately RMB351.5 million for the year ended 31 December 2020, representing a decrease of approximately RMB11.9 million, or approximately 3.4%. The administrative expenses (excluding the aforementioned non-recurring items) as a percentage of revenue was approximately 5.3% for the year ended 31 December 2021, as compared to approximately 6.3% for the corresponding period in 2020.

R&D costs

The Group's R&D costs primarily consisted of staff costs, materials consumption, clinical trials costs, depreciation and amortization, and other miscellaneous R&D expenses. For the year ended 31 December 2021, the Group's R&D costs amounted to approximately RMB753.9 million, as compared to approximately RMB590.3 million for the year ended 31 December 2020, representing an increase of approximately RMB163.5 million, or approximately 27.7%. The increase was mainly due to the increased investments in R&D activities and projects, which was in turn driven by the accelerated progress of the Group's product pipeline. The R&D costs as a percentage of revenue was approximately 11.8% for the year ended 31 December 2021, as compared to approximately 10.6% for the corresponding period in 2020.

Other Expenses and Losses

The Group's other expenses and losses primarily consisted of donation expenses, provision for impairment of financial assets, other miscellaneous expenses and foreign exchange losses. For the year ended 31 December 2021, the Group's other expenses amounted to approximately RMB184.0 million, as compared to approximately RMB549.5 million for the year ended 31 December 2020, representing a decrease of approximately RMB365.4 million, or approximately 66.5%. The decrease was mainly attributable to the decrease in foreign exchange losses during the year ended 31 December 2021 and the write-off expenses of the termination of the exclusive distrubution rights in other intangible assets in relation to Bydureon and Humulin incurred in 2020.

Finance Costs

For the year ended 31 December 2021, the Group's finance costs amounted to approximately RMB66.5 million, as compared to approximately RMB81.1 million for the year ended 31 December 2020, representing a decrease of approximately RMB14.5 million, or approximately 17.9%. The decrease was mainly due to the decrease in interest expenses in relation to the repayment of bank borrowings and the lower interest cost in respect of the 2025 Bonds. Excluding the non-cash interest expenses of the Bonds, the finance costs decreased from approximately RMB13.6 million for the year ended 31 December 2020 to approximately RMB6.1 million for the year ended 31 December 2021, representing a decrease of approximately RMB7.5 million, or approximately 55.1%.

Income Tax Expense

For the year ended 31 December 2021, the Group's income tax expense amounted to approximately RMB241.2 million, as compared to approximately RMB208.0 million for the year ended 31 December 2020, representing an increase of approximately RMB33.2 million, or approximately 15.9%. The effective tax rates for the year ended 31 December 2021 and the corresponding period in 2020 were approximately 12.9% and 21.2%, respectively. The decrease in effective tax rate was mainly due to the decrease in offshore losses and the increase in deductible expenses, including 25% more allowed extra deduction of R&D expenses under the revised PRC tax regulation.

EBITDA and Net Profit Attributable to Owners of the Parent

The EBITDA for the year ended 31 December 2021 increased by approximately RMB832.0 million or approximately 61.9% to approximately RMB2,175.0 million, as compared to approximately RMB1,343.0 million for the year ended 31 December 2020. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to the 2022 Bonds and the 2025 Bonds; (b) the expenses associated with the share options and awarded shares granted in February 2017, March 2020 and September 2020; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; (d) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Bydureon and Humulin, and (e) gain on deemed disposal of investment in associates. The Group's normalized EBITDA for the year ended 31 December 2021 increased by approximately RMB584.1 million or approximately 36.4% to approximately RMB2,190.3 million, as compared to approximately RMB1,606.1 million for the year ended 31 December 2020.

The net profit attributable to owners of the parent for the year ended 31 December 2021 was approximately RMB1,651.2 million, as compared to approximately RMB835.8 million for the year ended 31 December 2020, representing an increase of approximately RMB815.5 million, or approximately 97.6%. The normalized net profit attributable to owners of the parent is defined as the profit attributable to owners of the parent for the period excluding, as applicable: (a) the interest expenses incurred in relation to the 2022 Bonds and the 2025 Bonds; (b) the expenses associated with share options and awarded shares granted in February 2017, March 2020 and September 2020; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; (d) the write-off expenses of the termination of the exclusive distribution rights in other intangible assets in relation to Bydureon and Humulin; and (e) gain on deemed disposal of investment in associates. The Group's normalized net profit attributable to owners of the parent

for the year ended 31 December 2021 was approximately RMB1,727.0 million, as compared to approximately RMB1,166.4 million for the year ended 31 December 2020, representing an increase of approximately RMB560.6 million, or approximately 48.1%.

Earnings Per Share

The basic earnings per share for the year ended 31 December 2021 was approximately RMB0.65 as compared to approximately RMB0.33 for the year ended 31 December 2020, representing an increase of approximately 97.0%. The calculation of the normalized basic earnings per share amount is based on the normalized net profit attributable to owners of the parent 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 year ended 31 December 2021 was approximately RMB0.68, as compared to approximately RMB0.46 for the year ended 31 December 2020, representing an increase of approximately 47.8%.

Other Comprehensive Income or Losses

The Group's other comprehensive income mainly consisted of comprehensive investment income and converted differences in foreign currency statements. For the year ended 31 December 2021, the Group's comprehensive investment income amounted to approximately RMB79.6 million, as compared to approximately RMB197.1 million for the year ended 31 December 2020, representing a decrease of approximately RMB117.5 million, or approximately 59.6%. Notwithstanding the decrease in other comprehensive income, in the reporting period there was significant appreciation in the Group's equity investment designated at fair value, which comprised part of comprehensive investment income.

Financial Assets Measured at Fair Value

As at 31 December 2021, financial assets measured at fair value primarily comprised the investment in treasury or cash management products issued by certain banks, the investment in listed companies and the investments in private equity funds which focus on the healthcare industry.

Liquidity, Financial and Capital Resources

The Group's liquidity remained strong. For the year ended 31 December 2021, the Group's operating activities generated a net cash inflow of approximately RMB1,578.3 million, as compared to approximately RMB1,344.6 million for the year ended 31 December 2020, representing an increase of approximately RMB233.8 million or approximately 17.4%. The increase was mainly attributable to the increased cash inflow from the operating activities of the Group. As at 31 December 2021, the Group's cash and cash equivalents and pledged deposits were approximately RMB3,052.7 million.

Net Current Assets

As at 31 December 2021, the Group had net current assets of approximately RMB6,370.7 million, as compared to net current assets of approximately RMB5,229.0 million as at 31 December 2020. The current ratio of the Group increased from approximately 4.6 as at 31 December 2020 to approximately 5.5 as at 31 December 2021. The increase in net current assets and current ratio was mainly attributable to the net cash inflow in 2021.

Funding and Treasury Policies, Borrowing and Pledge of Assets

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

As at 31 December 2021, the Group had an aggregate interest-bearing bank borrowing of approximately RMB314.3 million, as compared to approximately RMB413.5 million as at 31 December 2020. The decrease in bank borrowings primarily reflected the repayment of loans of RMB364.0 million, which was partially offset by additional bank loans of approximately RMB270.2 million obtained in 2021. Among the short-term deposits, none was pledged to secure the aforementioned bank loans as at 31 December 2021.

As at 31 December 2021, the Group had outstanding convertible bonds of approximately RMB2,271.6 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings (excluding the Bonds) by the total equity, decreased to approximately 2.1% as at 31 December 2021 from approximately 3.2% as at 31 December 2020. The decrease was primarily due to the movement of equity, which was brought by the increase in total comprehensive income for the year.

Contingent Liabilities

As at 31 December 2021, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB1,297.4 million as at 31 December 2021, as compared to approximately RMB1,420.3 million as at 31 December 2020.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in Mainland China, with all material aspects of its regular business conducted in Renminbi other than: (1) the operations of Sirton; and (2) the Group's exports, which amounted to approximately RMB69.8 million, or approximately 1.1% of the Group's revenue, for the year ended 31 December 2021. Except for the operations of Sirton, the Group's exports, potential international deal-making expenditures (such as related to international licensing and acquisitions), foreign currency denominated bank deposits and the Euro-dominated Bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 31 December 2021, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD72.0 million (equivalent to approximately RMB459.0 million); (2) approximately HKD327.0 million (equivalent to approximately

RMB267.4 million); and (3) approximately EUR24.7 million (equivalent to approximately RMB178.6 million). The Group expects that the fluctuation of the Renminbi exchange rate will not have a material adverse effect on the operations of the Group in the foreseeable future.

Significant Investments Held

During the year ended 31 December 2021, the Group did not have any significant investments.

Future Plans for Material Investments or Capital Assets

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

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2021, the Group employed a total of 5,292 employees, as compared to a total of 5,584 employees as at 31 December 2020. The staff costs, including Directors' emoluments but excluding any contributions to the pension scheme, were approximately RMB1,165.1 million for the year ended 31 December 2021, as compared to approximately RMB1,219.9 million for the corresponding period in 2020. The Group generally formulated its employees' remuneration package to include salary, bonus and allowance elements. The compensation programs were designed to remunerate the employees based on their performance, which is measured against specified objective criteria. The Group also provided the employees with welfare benefits in accordance with applicable regulations and the Group's internal policies. The Company has adopted a share option scheme and a share award scheme ("**2019 Share Award Scheme**") and other incentive initiatives such as cash awards for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. In addition, Sunshine Guojian has adopted a restricted share incentive plan in February 2021.

FINAL DIVIDEND

The Board proposed to declare a final dividend of HKD20 cents per share for the year ended 31 December 2021 (2020: Nil) to those shareholders whose names appeared on the register of members of the Company on Monday, 4 July 2022. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend will be paid in cash on or around Monday, 11 July 2022.

CLOSURE OF REGISTER OF SHAREHOLDERS

The annual general meeting of the Company is scheduled to be held on Wednesday, 22 June 2022. For determining the entitlement to attend and vote at the annual general meeting, the register of shareholders of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 16 June 2022.

For determining the entitlement to the final dividend, the register of shareholders of the Company will be closed from Wednesday, 29 June 2022 to Monday, 4 July 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to the final dividend, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 28 June 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance.

Except as expressly described below, the Company complied with all applicable code provisions set out in the CG Code during the year ended 31 December 2021.

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

Pursuant to code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 since 1 January 2022), 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 a separate chairman and chief executive officer. Dr. LOU Jing currently performs these two roles. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and facilitating more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

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 standards as set out in the Model Code during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, the Company had conducted on-market repurchases of a total of 26,898,000 Shares[12] on the Stock Exchange at an aggregate cash consideration of HKD227,383,680 (excluding expenses). All such Shares repurchased by the Company during the year ended 31 December 2021 had been cancelled by the Company. Save for the aforesaid on-market repurchases of Shares, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2021.

CS Sunshine Transactions

On 13 January 2022, the Company completed an off-market repurchase of 85,760,087 Shares (representing approximately 3.4% of the total then issued Shares) from CS Sunshine Investment Limited (**"CS Sunshine"**), for a total consideration of HKD581,453,389.86, equivalent to HKD6.78 per Share. All such 85,760,087 repurchased Shares had been cancelled by the Company. On the same day, Mighty Decade Limited, the holding company of the trust for the 2019 Share Award Scheme, completed an off-market acquisition from CS Sunshine of 40,357,688 Shares (representing approximately 1.6% of the total then issued Shares) for a total consideration of HKD273,625,124.64, equivalent to HKD6.78 per Share. CS Sunshine is a substantial shareholder of the Company, who still held approximately 14.20% of the total then issued Shares immediately after the aforesaid two transactions. CS Sunshine is an affiliate of CITIC Securities Company Limited.

USE OF PROCEEDS OF THE 2022 BONDS

In July 2017, the Group, through Strategic International Group Limited, a direct wholly-owned subsidiary of the Company, conducted an international offering of Euro-denominated zero-coupon convertible bonds, or the 2022 Bonds (as defined above), in an aggregate principal amount of EUR300,000,000, due 2022, which was unconditionally and irrevocably guaranteed by the Company. All the 2022 Bonds had been repurchased or redeemed as of 4 September 2020.

[12] "**Share**(s)": ordinary share(s) in the capital of the Company with a par value of US$0.00001 each

The net proceeds from the issue of the 2022 Bonds amounted to approximately EUR295,898,164. As disclosed in the announcement of the Company dated 12 July 2017 in relation to the proposed issue of the 2022 Bonds (the "**2022 Bonds Announcement**"), the net proceeds from the 2022 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 at 31 December 2021, RMB1,905,797,000 of the proceeds of the 2022 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 2022 Bonds, approximately RMB372,392,000, will be allocated or applied in accordance with the proposed uses as disclosed in the 2022 Bonds Announcement and is expected to be fully utilized in one to three years.

AUDIT COMMITTEE

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

The Audit Committee has, together with the Board, reviewed and approved the accounting standards and practices adopted by the Group and the annual results for the year ended 31 December 2021. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company and considers them to be effective and adequate.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the preliminary results announcement of the Group for the year ended 31 December 2021 have been agreed to by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

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

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

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

Shenyang, the PRC
29 March 2022

As at the date of this announcement, the Board comprises Dr. LOU Jing and Ms. SU Dongmei as executive Directors; Mr. HUANG Bin and Mr. TANG Ke as non-executive Directors; and Mr. PU Tianruo, Ms. YANG, Hoi Ti Heidi and Mr. NG, Joo Yeow Gerry as independent non-executive Directors.