2016
Interim Report

三生制药
3SBIO INC.

(*Incorporated in the Cayman Islands with limited liability*)

Stock Code : 1530

Contents

Company Overview

3SBio Inc. (the “**Company**”, or “**3SBio**”, and with its subsidiaries collectively, the “**Group**”) is a leading biotechnology company in the People’s Republic of China (the “**PRC**” or “**China**”). As a pioneer in the PRC biotechnology industry, the Group has extensive expertise in developing, manufacturing and marketing biopharmaceuticals. The core products of the Group include TPIAO (特比澳), Yisaipu (益賽普), a product acquired through the acquisition of Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業(上海)股份有限公司) (formerly known as Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司)) (“**Guojian**”), and EPIAO (益比奧), all three products being market leaders in the PRC. TPIAO is the only commercialized recombinant human thrombopoietin (“**rhTPO**”) product in the world. According to the data of IMS Health Inc. (“**IMS**”), the China market share of TPIAO increased to 44.4% for the treatment of thrombocytopenia in the first quarter of 2016. Yisaipu is a TNF α inhibitor product with a dominant market share in China of 64.0% in the first quarter of 2016, according to IMS. According to IMS, the Group, with its two recombinant human erythropoietin (“**rhEPO**”) products EPIAO and SEPO (賽博爾), is the dominant market leader in the China rhEPO market, with a total market share of 43.7% in the first quarter of 2016.

As at 30 June 2016, the Group had a robust active pipeline of 26 product candidates, of which 16 were developed as National Class I New Drugs (國家一類新藥) in the PRC. The Group has 13 product candidates in oncology, including 11 monoclonal antibody (“**mAb**”) therapeutics; 8 product candidates that target auto-immune diseases and metabolic diseases such as rheumatoid arthritis and refractory gout; and 3 product candidates in nephrology, which include the next-generation of erythropoiesis-stimulating agents.

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

As at 30 June 2016, the Group maintained operation facilities in Shenyang (China), Shanghai (China), Hangzhou (China), and Shenzhen (China), as well as in Como (Italy) with a total of over 3,300 employees. The Group’s sales and marketing team comprises nearly 1,800 employees, covering the oncology, rheumatology, nephrology and dermatology therapeutic areas. The Group’s pharmaceutical products are marketed and sold in all provinces, autonomous regions and special municipalities in the PRC, as well as a number of foreign countries and regions. During the six months ended 30 June 2016 (the “**Reporting Period**”), the Group’s nationwide sales and distribution network enabled it to sell its products to over 6,500 hospitals and medical institutions in the PRC.

The Group is well positioned to expand its global presence. The Group is conducting multi-center biosimilar clinical trials for EPIAO in Russia and Thailand. Yisaipu is in the process of registration in 18 countries. In the long term, the Group aims to market its rhEPO products in developed countries by development and registration through the biosimilar pathway. Furthermore, the Group is collaborating with international partners to develop and market the Group’s product candidates, such as pegsiticase and several mAb therapeutics. The Group aims to continue to focus research and development (“**R&D**”) efforts on providing innovative therapeutics for patients in China and globally.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Mr. TAN Bo

Ms. SU Dongmei

Mr. HUANG Bin

Non-executive Directors

Mr. LIU Dong

Mr. LV Dong

Independent Non-executive Directors

Mr. PU Tianruo

Mr. David Ross PARKINSON

Mr. MA Jun

JOINT COMPANY SECRETARIES

Ms. LIU Yanli*

Ms. LAI Siu Kuen

AUTHORIZED REPRESENTATIVES

Mr. TAN Bo

Ms. LIU Yanli

AUDIT COMMITTEE

Mr. PU Tianruo *(Chairman)*

Mr. LV Dong

Mr. MA Jun

REMUNERATION COMMITTEE

Mr. MA Jun *(Chairman)*

Mr. LIU Dong

Mr. PU Tianruo

NOMINATION COMMITTEE

Mr. LOU Jing *(Chairman)*

Mr. PU Tianruo

Mr. MA Jun

REGISTERED OFFICE (IN THE CAYMAN ISLANDS)

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* Appointed on 29 April 2016

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STOCK CODE

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Financial Highlights

- **Revenue[1] increased by Renminbi ("RMB") 514.5 million or 65.1% to RMB1,304.9 million, as compared to the six months ended 30 June 2015.**

- **Gross profit[1] increased by RMB442.9 million, or 64.2% to RMB1,133.2 million, as compared to the six months ended 30 June 2015, and gross profit margin was 86.8%.**

- **Normalized EBITDA[1,2] increased by RMB181.9 million or 48.8% to RMB554.9 million, as compared to the six months ended 30 June 2015.**

- **Normalized net profit[1,3] increased by RMB56.7 million or 19.0% to RMB354.8 million, as compared to the six months ended 30 June 2015.**

Notes:

1. Guojian's financial information was consolidated into the Group's financial statements since 1 April 2016.

2. The normalized EBITDA is defined as EBITDA for the period excluding: (a) the expenses incurred in relation to the acquisition of Guojian; (b) warrant expenses associated with the issue of the warrants granted to the management of Guojian (the "**Guojian Warrants**") on 1 January 2015; (c) the expenses incurred in relation to the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**"); and (d) the income associated with the fair value gain of the approximately 28.8% equity interest in Guojian previously acquired by the Group in 2014 and 2015.

3. The normalized net profit is defined as profit for the period excluding the same items as listed in Note 2 above.

Management Discussion and Analysis

BUSINESS REVIEW

Overview and Key Events

In January 2016, the Group further acquired (1) approximately 38.5% equity interest in Shanghai Lansheng Guojian Pharmaceutical Company Limited (上海蘭生國健藥業有限公司, "**Lansheng Guojian**"), which held approximately 41.69% equity interest in Guojian and (2) approximately 0.73% equity interest in Guojian for an aggregate consideration of approximately RMB1,033.3 million. In March 2016, the Group acquired (1) an additional approximate 43.42% equity interest in Guojian for an aggregate consideration comprising of approximately RMB2,713.8 million and options to subscribe for up to a total of 125,765,500 ordinary shares of the Company, subject to certain exercise conditions; and (2) an additional approximate 12.04% equity interest in Guojian for an aggregate consideration of approximately RMB1,218.0 million. After the completion of these acquisitions, the Group collectively controlled approximately 97.78% equity interest in Guojian. The integration of Guojian has been orderly, effective and well-implemented. Guojian has built China's leading mAb research, manufacturing and sales platform. The acquisition significantly enhances the Group's status as a leading Chinese biotechnology company and provides a strong foundation for the Group's development in China and international markets.

According to the International Financial Reporting Standards ("IFRSs"), the Group began to consolidate Guojian's financial information into its financial information from 1 April 2016. For the avoidance of doubt, unless otherwise indicated, all information and discussions concerning the Group in this report shall be inclusive of Guojian.

According to an announcement published on MSCI Inc.'s website on 12 May 2016, the Company was added as a constituent to the MSCI China Index after the market closed on 31 May 2016. The Group believes that this will enhance the Group's profile in the international investment community.

In July 2016, the China Pharmaceutical Industry Information Center (the "**CPIIC**") issued the "2015 China Pharma 100" List (based on revenue) (the "**List**"), which ranked the Group as the 85th of the top 100 pharmaceutical companies in China, with the Group being the only biopharmaceutical company elected. CPIIC is an official pharmaceutical information platform of the PRC Ministry of Industry and Information Technology. The List is officially recognized by the local authorities in the government-sponsored competitive bidding process that determines the medicine procurement of state-owned hospitals, as any company elected in the List will be awarded points for the bidding. CPIIC also elected the Group as one of the Best Pharmaceutical R&D Pipeline Companies in China.

During the first half of 2016, despite the challenging market conditions, the Group has made significant progress in R&D, sales and marketing and manufacturing. Four of the Group's 26 active pipeline products received approval of the Investigation New Drug ("**IND**") application, and are scheduled to move to Phase I clinical trial as early as possible, including PEG-irinotecan, eltrombopag tablets, Trifluridine and Tipiracil Hydrochloride Tablets (曲氟尿苷鹽酸替比拉西片, "**TAS102**") and an anti-epidermal growth factor receptor ("**anti-EGFR**") antibody. The Group entered into a strategic collaboration with Sorrento Therapeutics, Inc. (NASDAQ: SRNE) ("**Sorrento**") and advanced in the chimeric antigen receptor T cell ("**CAR-T**") field. TPIAO demonstrated strong growth momentum primarily attributable to the increasing recognition by the medical profession and the further penetration into the hospitals covered by the Group's sales team. The integration of the sales and marketing team was smooth and effective which resulted in stronger growth of Yisaipu. The Group's rhEPO products continued to outgrow the market. TPIAO received marketing authorization from a member country of the Pharmaceutical Inspection Co-operative Scheme (the "**PIC/S**"), Ukraine. The Group's mAb, mammalian cell-based, bacteria cell-based and small molecule manufacturing facilities continue to manufacture high quality pharmaceutical products with scalable manufacturing capacity. The Shenyang facility (which primarily manufactures EPIAO and TPIAO) passed Brazil Good Manufacturing Practice ("**GMP**") inspection with no deficiency.

Key Products

TPIAO is the Group's self-developed proprietary product, and has been the only commercialized rhTPO product in the world since its launch in 2006. TPIAO has been approved by the China Food and Drug Administration (the "**CFDA**") 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. In "*The Consensus of Chinese experts on Diagnosis and Treatment of Adult Primary Immune Thrombocytopenia*" (version 2016), rhTPO products are included as the first choice recommendation for the second line treatments list, and are recommended among medicines to boost platelet production in certain emergencies cases. TPIAO has experienced significant sales growth due to increasing physician awareness of its safety and efficacy as a treatment of CIT and ITP and its quick adoption in China. The Group believes TPIAO is still at an early stage of its product life cycle. The Group estimates that the penetration rates for both CIT and ITP indications in China may be approximately 10%. Currently, the majority of the Group's sales of TPIAO is generated from approximately 12% of the hospitals covered by the Group's sales team. TPIAO received marketing authorization from the Ministry of Public Health of Ukraine for the treatment of CIT in patients with solid tumors on 24 June 2016. Ukraine is a member of the PIC/S. The PIC/S is a non-binding and informal co-operative arrangement between regulatory authorities in the field of GMP of medicinal products for human or veterinary use. PIC/S members include the regulatory authorities of the United States, Japan, Australia, Canada, France, Germany, and the United Kingdom, among others. The marketing authorization received from a PIC/S member will facilitate the review process by other PIC/S members and benefit the Group's international registration in PIC/S countries and its further expansion into the highly regulated markets. The Group is in the process to initiate clinical trials of TPIAO in the United States, India and Mexico.

Yisaipu, generically known as Etanercept, is a TNF α inhibitor product. It was first launched in 2005 in China for rheumatoid arthritis. Its indications were expanded to ankylosing spondylitis and psoriasis in 2007. Yisaipu has experienced significant growth as the first-to-market etanercept product in China, with a dominant China market share by sales of 64.0% in the first quarter of 2016, according to IMS. The Group believes that Yisaipu is still at an early stage of its product life cycle in China, given the mAb market in China is under-penetrated compared with the global market. Yisaipu has been approved in 9 countries and is in the process of registration in 18 countries.

EPIAO is still the only rhEPO product approved by the CFDA for three indications: the treatment of anemia associated with chronic kidney disease ("**CKD**"), the treatment of chemotherapy-induced anemia ("**CIA**") and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has consistently been the dominant market leader in the PRC rhEPO market since 2002. EPIAO is the only rhEPO product in China available at 36,000 IU (international unit per vial) dosage, and together with SEPO, claims the majority of the PRC rhEPO market share at 10,000 IU dosage. Future growth for EPIAO may be driven by: (1) the enhancement of the dialysis penetration rate among stages IV and V CKD patients, which the Group believes is substantially lower in China as compared with other countries; and (2) the increase in the applications of EPIAO in reducing allogeneic blood transfusion and CIA oncology indication in China, which the Group believes is at a very early stage of growth. In December 2014, the Group acquired another rhEPO product, SEPO, which helped broaden the Group's market coverage, especially in Grade II and Grade I hospitals, where rhEPO has been experiencing significant growth. During the Reporting Period, while EPIAO faced pressure in certain provincial tenders, SEPO performed strongly in the lower-tier cities. The Group's combined rhEPO products franchise continued to be the market leader in the rhEPO segment. According to IMS, the two rhEPO brands of the Group grew by 12.6% in the first quarter of 2016 while the China rhEPO market grew by 11.2%, as compared to the corresponding period of 2015. The Group expects that SEPO will achieve further growth in the lower-tier cities. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand are in good progress and are expected to be completed by the end of 2017.

Qiming Keli (芪明顆粒), Man Di (蔓迪), Di Su (迪蘇) and Lai Duo Fei (萊多菲) were a group of dermatology and ophthalmology drugs acquired in July 2015, which are developed for the treatment of diabetic retinopathy, alopecia areata, chronic bronchitis and chronic idiopathic urticaria, respectively.

Product Pipeline

As at 30 June 2016, of the 26 product candidates within the Group's active pipeline, 16 have been developed as National Class I New Drugs (國家一類新藥) in the PRC. The Group has 13 product candidates in oncology, including 11 mAb therapeutics; 8 product candidates that target auto-immune diseases and metabolic diseases such as rheumatoid arthritis and refractory gout; and 3 product candidates in nephrology, which include the next-generation of erythropoiesis-stimulating agents.

On 6 June 2016, Shenyang Sunshine Pharmaceutical Co., Ltd. (瀋陽三生製藥有限責任公司, "**Shenyang Sunshine**"), a wholly-owned subsidiary of the Company, entered into a legally binding term sheet with TNK Therapeutics ("**TNK**"), a subsidiary of Sorrento, to establish a joint venture company to develop and commercialize (i) proprietary immunotherapies, including those developed from, or using TNK's CAR-T technology targeting carcinoembryonic antigen ("**CEA**") positive cancers; and (ii) two more CAR-T candidates for cellular therapy. The anti-CEA CAR-T therapy was originally developed by Sorrento to treat several solid tumors, including liver carcinoma, colorectal cancer ("**CRC**") and pancreatic cancer. Phase II trials are underway in the United States to treat CEA-positive metastatic breast cancer, CRC, gastric cancer, liver cancer and adenocarcinomas.

Robust and Innovative Product Pipeline Supported by Integrated R&D Platform and Collaboration with Industry Leaders and International Partners

Therapeutic Area	Product Code	Intended Indication	Development Status	Classification
Nephrology	SSS21	Hyperphosphatemia; Hypercholesteremia	IND	Class III Chemical Drug
	SSS06	Anemia associated with CKD	Phase I (completed)	Class I Biologic Drug
	SSS17	Anemia	Pre-IND	Class I Chemical Drug
Oncology	SSS24	CRC	Phase I	Class III Chemical Drug
	SSS22	Solid tumors	Phase I	Class I Chemical Drug
	SSS19	Acute leukemia	Pre-clinical	Class I mAb
	SSS23	Cancer	Pre-clinical	Class I mAb
	SSS25	Cancer	Pre-clinical	Class I mAb
	SSS30	Cancer	Pre-clinical	Class I mAb
	302	Metastatic breast cancer, secondary treatment for breast cancer and metastatic stomach cancer	New Drug Application	Class I mAb
	607	Metastatic breast cancer, secondary treatment for breast cancer and metastatic stomach cancer	Pre-clinical	Biosimilar mAb
	304	Non-Hodgkin lymphomas	New Drug Application	Class I mAb
	601t	Non-small cell lung cancer	Pre-IND	Biosimilar mAb
	601a	Age-related macular degeneration	Pre-IND	Class I mAb
	701	Metastatic breast cancer	Pre-clinical	Biosimilar mAb
	602	Metastatic colorectal cancer	Phase I	Class I mAb
Auto-Immune Diseases and Other Areas	608	Inflammation; Rheumatoid arthritis	Pre-clinical	Class I mAb
	604	Rheumatoid arthritis	Pre-clinical	Biosimilar mAb
	SSS20	ITP	Phase I	Class III Chemical Drug
	TPIAO	Aplastic anemia	IND for new indication	Class I Biologic Drug
	SSS07	Rheumatoid arthritis	Phase I	Class I mAb
	SSS11	Refractory gout	IND (US P-II)	Class I Biologic Drug
	Apremilast	Psoriatic arthritis	Phase I	Class III Chemical Drug
	301 (Prefilled Syringe)	Rheumatoid arthritis	Phase III (completed)	Class I mAb
Dermatology	Fexofenadine	Seasonal allergic rhinitis; Chronic idiopathic urticaria	New strength (180mg)	Class VI Chemical Drug
	Clindamycinphosphate Tretinoin Gel	Acne vulgaris	Phase III	Class III Chemical Drug

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 brand awareness of its products among medical experts. The Group markets and promotes TPIAO, Yisaipu and EPIAO mainly through its in-house sales and marketing team. The Group sells these products to distributors who are responsible for delivering products to hospitals and other medical institutions. The Group primarily relies on third-party promoters to market other products.

As at 30 June 2016, the Group's extensive sales and distribution network in the PRC was supported by approximately 1,761 sales and marketing employees, 207 distributors and 670 third-party promoters. As at 30 June 2016, the Group's sales team covered 2,116 Grade III hospitals and 4,413 Grade II or lower hospitals and medical institutions, reaching all provinces, autonomous regions and special municipalities in the PRC. In addition, TPIAO, Yisaipu, EPIAO, SEPO and some of the Group's other products are exported to a number of countries through international promoters.

After the acquisition of Guojian, Guojian's sales team of approximately 500 personnel is integrated into the Group commercialization platform as a new business unit, and the Group's sales function now comprises 5 business units under the leadership of Mr. XIAO Weihong, the chief operating officer of the Company, supported by integrated compliance, market access, commercial operation, marketing, sales force efficiency and finance, with improved overall efficiency.

R&D

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

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

The studies of Phase I trial of NuPIAO were completed by the end of 2015, with the data analysis and research report preparation to be concluded by the end of 2016. For Phase II trial, the Group is planning, in early 2017, to complete the clinical trial design, update the research materials, and select the clinical centers that the Group will collaborate with for the Phase II studies.

The Group has initiated a Phase I clinical trial for SSS07 in the PRC in 2015 with the first part finished as at the date of this report and the second part expected to commence in October 2016.

As for Pegsiticase, the Group's business partner, Selecta Biosciences, Inc., has begun a Phase I trial for Pegsiticase in the United States, with Phase Ia completed.

On 7 March 2016, the Group has received the approval of the IND application for clinical trial from the CFDA for PEG-irinotecan, a long-acting polymer-drug conjugate which inhibits topoisomerase I ("**Topo-I**"). Topo-I is over expressed in many solid tumors, including colorectal, ovarian, breast, glioma, small cell and non-small cell lung cancers. The Group has licensed PEG-irinotecan from JenKem Technology Co., Ltd (北京健凱科技有限公司), a Chinese biotechnology company in September 2014. The Group intends to develop PEG-irinotecan as a National Class I drug for relapsed or refractory cancers, such as CRC, metastatic breast cancer and platinum-resistant ovarian cancer.

As announced on 2 June 2016, eltrombopag tablets for the treatment of thrombocytopenia in patients with chronic ITP have received clinical trial approval from the CFDA. Eltrombopag tablets are being co-developed by the Group and Beijing Labworld Bio-Medicine Technology Company Ltd. (北京藍貝望生物醫藥科技股份有限公司). The Group also intends to co-market the product with the Group's existing rhTPO product, TPIAO, which will further expand the Group's portfolio of treatments targeting auto-immune diseases in China. According to IMS, the market size of products for the treatment of ITP in China amounted to approximately RMB1.48 billion for 2015, with an estimated compound annual growth rate of 20.5% from 2013 to 2018.

As announced on 7 July 2016, TAS102 has received clinical trial approval from the CFDA. TAS102 is co-developed by the Group and Shandong Chengchuang Pharmaceutical R&D Co., Ltd (山東誠創醫藥技術開發有限公司). The Group will be responsible for its further clinical development and commercialization in China. TAS102 is a medicine for CRC. It has a curative effect on patients suffering from CRC who find standard treatments ineffective. Currently, no similar medicine is available in the PRC market.

As announced on 12 August 2016, an anti-EGFR antibody has received an approval of the IND application for clinical trial from the CFDA. The Group intends to develop this anti-EGFR mAb (also generally known as cetuximab (西妥昔單抗)) for advanced or metastatic cancers, including CRC and head and neck cancers ("**HNCs**").

Another IND application for a humanized anti-vascular endothelial growth factor ("**anti-VEGF**") antibody for the treatment of non-small cell lung cancer was filed in early 2016. Two more IND applications, respectively for an anti-VEGF antibody for the treatment of age-related macular degeneration and anti-Her2 ADC for the treatment of Her2-positive metastatic breast cancer, are planned to be filed in late 2016.

In China, the number of new cases for CRC, breast cancer, ovarian cancer, thyroid cancer (one type of HNCs) and lung cancer is 331,000, 273,000, 49,000, 119,000 and 705,000, respectively, in 2012 (Report of Cancer Incidence and Mortality in China, 2012, China Cancer, 2016, 25(1): 1–8).

After considering the recent changes of the relevant drug approval policies of the CFDA, the Group withdrew the 2 drug applications respectively for Ipterbin (賽普汀) (also generally known as trastuzumab (曲妥珠單抗)), and for Jiantuoxi (健妥昔) (also generally known as rituximab (利妥昔單抗)), that have been submitted to the CFDA. Depending on the then prevailing regulatory framework and its capability to fulfill the relevant regulatory requirements, the Group intends to re-submit the clinical trial data of Ipterbin and Jiantuoxi to the CFDA as and when appropriate.

Outlook

The Group intends to leverage its position as the leading biopharmaceutical player to continue to build strength in commercial, R&D and manufacturing platforms. The Group plans to boost the revenue of its launched products through further penetration into the hospitals covered by the Group's sales and marketing team and new hospitals, and continuous education within the medical profession. The Group continues to seek selective mergers and acquisition opportunities and commercial collaborations to enrich its existing product portfolio and pipeline so as to provide growth engine for the long term. The Group is expanding international sales through registration of existing products in new countries and registration of new products by going through the biosimilar pathway in the highly regulated markets. With the acquisition of Guojian, the Group is well positioned for new opportunities of growth in the autoimmune and oncology therapeutic areas.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2016, the Group's revenue amounted to approximately RMB1,304.9 million, as compared to approximately RMB790.3 million for the six months ended 30 June 2015, representing an increase of approximately RMB514.5 million, or 65.1%. The increase is mainly attributable to the sales growth of the Group's key products and the consolidation of the revenues of Zhejiang Wansheng Pharmaceutical Co., Ltd. (浙江萬晟藥業有限公司, "**Zhejiang Wansheng**") and Guojian into the Group's financial information since 1 August 2015 and 1 April 2016, respectively.

For the six months ended 30 June 2016, the Group's sales of TPIAO increased to approximately RMB405.3 million, as compared to approximately RMB295.0 million for the six months ended 30 June 2015, representing an increase of approximately RMB110.3 million, or 37.4%. The increase is primarily attributable to an increase in sales volume, which in turn was primarily driven by the increase in recognition of TPIAO within the medical profession. For the six months ended 30 June 2016, sales of TPIAO accounted for 30.9% of the Group's total sales of goods.

The Group's sales of Yisaipu was approximately RMB307.3 million for the three months from 1 April 2016 to 30 June 2016. For the six months ended 30 June 2016, the Group's sales of Yisaipu increased to approximately RMB446.3 million, as compared to approximately RMB383.2 million for the six months ended 30 June 2015, representing an increase of approximately RMB63.1 million, or 16.5%. The increase is primarily attributable to an increase in sales volume, which in turn was primarily driven by the increasing demand for anti-TNF α products and Yisaipu's continued dominance in the PRC anti-TNF α market. For the six months ended 30 June 2016, sales of Yisaipu accounted for 23.4% of the Group's total sales of goods.

For the six months ended 30 June 2016, the Group's sales of EPIAO and SEPO increased to approximately RMB388.7 million, as compared to approximately RMB384.4 million for the six months ended 30 June 2015, representing an increase of approximately RMB4.3 million, or 1.1%. The increase is primarily attributable to an increase in sales volume, which in turn was primarily driven by the surging demand for rhEPO products in the lower-tier cities. For the six months ended 30 June 2016, the Group's sales of SEPO increased to approximately RMB41.3 million, as compared to approximately RMB16.4 million for the six months ended 30 June 2015, representing a significant increase of approximately RMB24.9 million, or 151.7%. For the six months ended 30 June 2016, the Group's sales of EPIAO decreased to approximately RMB347.4 million, as compared to approximately RMB368.0 million for the six months ended 30 June 2015, representing a slight decrease of approximately RMB20.6 million, or 5.6%. The decrease is primarily attributable to a decrease in ex-factory price. In addition, while EPIAO was facing pressure in certain provincial tendering processes, SEPO performed strongly and helped maintain the Group's market share. For the six months ended 30 June 2016, sales of EPIAO and SEPO accounted for 29.7% of the Group's total sales of goods.

For the six months ended 30 June 2016, the Group's export sales increased to approximately RMB19.7 million, as compared to approximately RMB15.7 million for the six months ended 30 June 2015, representing an increase of approximately RMB4.1 million, or 25.9%. The increase is primarily attributable to an increase in sales in Thailand and Sri Lanka and that the consolidation of Yisaipu's export sales were consolidated into the Group's financial information since 1 April 2016.

For the six months ended 30 June 2016, the Group's sales derived from Zhejiang Wansheng were RMB92.3 million, the financial results of which were consolidated into the Group's financial information since 1 August 2015.

For the six months ended 30 June 2016, the Group's sales of other products primarily included the contract manufacturing income derived from Sirton Pharmaceuticals S.p.A. ("**Sirton**") as well as the sales of IV Iron Sucrose and Sparin.

Cost of Sales

The Group's cost of sales increased from approximately RMB100.1 million for the six months ended 30 June 2015 to approximately RMB171.7 million for the six months ended 30 June 2016, which accounted for approximately 13.2% of the Group's total revenue for the same period. The primary reasons for the increase in the Group's cost of sales were the increased sales volume for the six months ended 30 June 2016, as compared to the corresponding period in 2015, and the consolidation of the costs of sales of Zhejiang Wansheng and Guojian into the Group's financial information since 1 August 2015 and 1 April 2016, respectively.

Gross Profit

For the six months ended 30 June 2016, the Group's gross profit increased to approximately RMB1,133.2 million, as compared to approximately RMB690.3 million for the six months ended 30 June 2015, representing an increase of approximately RMB442.9 million, or 64.2%. The increase in the Group's gross profit was broadly in line with its revenue growth. The Group's gross profit margin decreased to 86.8% for the six months ended 30 June 2016 from 87.3% for the corresponding period in 2015. The decrease is mainly attributable to the Group's consolidation of the financial information of Zhejiang Wansheng since 1 August 2015, which had a lower gross profit margin than the Group's other businesses and partially offset by the consolidation of the financial information of Guojian since 1 April 2016 which had a higher profit margin than the Group's other businesses.

Other Income and Gains

The Group's other income and gains mainly comprised government grants, interest income, foreign exchange gain and other miscellaneous income. For the six months ended 30 June 2016, the Group's other income and gains increased to approximately RMB52.9 million, as compared to approximately RMB41.2 million for the six months ended 30 June 2015, representing an increase of approximately RMB11.7 million, or 28.3%. The increase is mainly attributable to the consolidation of Guojian's government grants since 1 April 2016, which was partially offset by the decrease in the foreign exchange gain.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff costs, transportation expenses, consulting fees and other miscellaneous selling and distribution expenses. For the six months ended 30 June 2016, the Group's selling and distribution expenses amounted to approximately RMB470.9 million, as compared to approximately RMB276.0 million for the six months ended 30 June 2015, representing an increase of approximately RMB194.9 million, or 70.6%. The increase is mainly attributable to the increased promotional activities for the Group's products and the consolidation of the selling and distribution expenses of Zhejiang Wansheng and Guojian into the Group's financial information since 1 August 2015 and 1 April 2016, respectively. In terms of the percentage of revenue, the Group's selling and distribution expenses increased from 34.9% for the six months ended 30 June 2015 to 36.1% for the six months ended 30 June 2016, primarily due to the consolidation of the selling and distribution expenses of Zhejiang Wansheng, which had a selling and distribution expenses to revenue ratio higher than that of the Group's other businesses.

Administrative Expenses

The Group's administrative expenses consisted of staff costs, professional fees, depreciation and amortization, property expenses, share-based compensation, and other miscellaneous administrative expenses. For the six months ended 30 June 2016, the Group's administrative expenses amounted to approximately RMB161.7 million, as compared to approximately RMB99.6 million for the six months ended 30 June 2015, representing an increase of approximately RMB62.1 million, or 62.3%. The increase is mainly due to the one-off expenses of RMB78.3 million for the acquisition of Guojian incurred during the six months ended 30 June 2016, and the consolidation of the administrative expenses of Zhejiang Wansheng and Guojian into the Group's financial information since 1 August 2015 and 1 April 2016, respectively. Excluding the impact of the advisory fee and the Guojian Warrants related expenses, the administrative expenses for the six months ended 30 June 2016 were RMB90.8 million. The administrative expenses as a percentage of revenue (excluding the advisory fee and the expenses related to the issue of the Guojian Warrants) was 7.0% for the six months ended 30 June 2016, as compared to 5.6% for the corresponding period in 2015.

Other Expenses and Losses

The Group's other expenses and losses primarily consisted of its R&D costs. For the six months ended 30 June 2016, the Group's other expenses and losses amounted to approximately RMB117.8 million, as compared to approximately RMB53.8 million for the six months ended 30 June 2015, representing an increase of approximately RMB64.0 million, or 119.0%. The increase is mainly due to increased R&D costs, which increased from approximately RMB49.3 million for the six months ended 30 June 2015 to approximately RMB109.6 million for the six months ended 30 June 2016. The increase is mainly due to the consolidation of Guojian's R&D costs of RMB42.6 million from 1 April 2016 to 30 June 2016.

Finance Costs

For the six months ended 30 June 2016, the Group's finance costs amounted to approximately RMB74.5 million, as compared to approximately RMB21.8 million for the six months ended 30 June 2015, representing an increase of approximately RMB52.7 million, or 241.5%. The increase is mainly due to the increase in the average monthly outstanding bank borrowings during the six months ended 30 June 2016, as compared to the corresponding period in 2015. The increase in bank borrowings primarily reflected additional bank loans taken for the acquisition of Guojian.

Income Tax Expense

For the six months ended 30 June 2016, the Group's income tax expense amounted to approximately RMB62.6 million, as compared to approximately RMB35.8 million for the six months ended 30 June 2015, representing an increase of approximately RMB26.8 million, or 74.9%. The increase is mainly due to the consolidation of the income tax expenses of Guojian since 1 April 2016. The effective tax rates for the six months ended 30 June 2016 and the corresponding period in 2015 were 17.8% and 12.9%, respectively. The increase in effective tax rate is mainly due to the increased offshore losses for the six months ended 30 June 2016, as compared to the six months ended 30 June 2015.

EBITDA and Net Profit

The normalized EBITDA is defined as EBITDA for the period excluding: (a) the expenses incurred in relation to the acquisition of Guojian; (b) warrant expenses associated with the issue of the Guojian Warrants on 1 January 2015; (c) the expenses incurred in relation to the Listing; and (d) the income associated with the fair value gain of the approximately 28.8% equity interest in Guojian previously acquired by the Group in 2014 and 2015. The Group's normalized EBITDA for the six months ended 30 June 2016 increased by RMB181.9 million or 48.8% to RMB554.9 million, as compared to the six months ended 30 June 2015. Without excluding the effects of the aforementioned items, the EBITDA increased by RMB172.6 million or 54.4% to RMB490.1 million, as compared to the six months ended 30 June 2015.

The normalized net profit is defined as profit for the period excluding: (a) the expenses incurred in relation to the acquisition of Guojian; (b) warrant expenses associated with the issue of the Guojian Warrants on 1 January 2015; (c) the expenses incurred in relation to the Listing; and (d) the income associated with the fair value gain of the approximately 28.8% equity interest in Guojian previously acquired by the Group in 2014 and 2015. The Group's normalized net profit for the six months ended 30 June 2016 was approximately RMB354.8 million, as compared to approximately RMB298.1 million for the six months ended 30 June 2015, representing an increase of approximately RMB56.7 million, or 19.0%. Without excluding the effects of the aforementioned items, the net profit for the six months ended 30 June 2016 was approximately RMB290.0 million, as compared to approximately RMB242.5 million for the six months ended 30 June 2015, representing an increase of approximately RMB47.5 million, or 19.6%. The normalized net profit grew slower than the revenue growth primarily due to the increase in finance cost associated with the loans taken for the acquisition of Guojian and that the Guojian's R&D costs from 1 April 2016 to 30 June 2016 were consolidated into the Group's financial information.

Prepaid Land Lease Payments

As at 30 June 2016, the increase in prepaid land lease payments was primarily attributable to the acquisition of Guojian, which resulted in an increase of RMB218.6 million.

Goodwill

As at 30 June 2016, the increase in goodwill was primarily attributable to the acquisition of Guojian, which resulted in an increase of RMB3,327.4 million.

Long Term Receivables

As at 30 June 2016, long term receivables represented the convertible loan provided to Zhejiang Sunshine Pharmaceutical Company Limited in a principle amount of RMB75.0 million.

Available-for-sale Investments

As at 30 June 2016, available-for-sales investments primarily included the investment in wealth management products issued by certain banks and investment in Sorrento.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group's liquidity remained strong. For the six months ended 30 June 2016, the Group's operating activities generated a net cash inflow of approximately RMB394.8 million. As at 30 June 2016, the Group's cash and cash equivalents and time deposits (including pledged time deposits) were approximately RMB1,323.5 million.

Net Current Assets

As at 30 June 2016, the Group had net current assets of approximately RMB1,337.1 million, as compared to net current assets of approximately RMB1,990.4 million as at 31 December 2015. The current ratio of the Group decreased from approximately 3.6 at 31 December 2015 to approximately 2.0 as at 30 June 2016. The decrease in net current assets is mainly due to the decrease in cash and cash equivalents and the increase in short term interest-bearing bank borrowings as a result of the acquisition of Guojian.

Funding and Treasury Policies, Borrowings and the 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 30 June 2016, the Group had an aggregate interest-bearing bank borrowings of approximately RMB3,544.8 million, as compared to approximately RMB405.0 million as at 31 December 2015. All such borrowings are at fixed interest rates. The increase in bank borrowings primarily reflected the additional bank loans of RMB3,997.6 million taken in 2016 for the Group's acquisitions, which was partially offset by the repayment of loans of RMB857.8 million.

For information regarding the currencies in which borrowings are made and in which cash and cash equivalents are held, please refer to Note 12 and Note 15 to the Unaudited Interim Condensed Consolidated Financial Statements.

Within the short-term deposits, RMB553.0 million was pledged to secure bank loans as at 30 June 2016, as compared to RMB30.3 million as at 31 December 2015.

Gearing Ratio

The gearing ratio of the Group, which is calculated by dividing the total borrowings by the total equity, increased to approximately 57.7% as at 30 June 2016 from approximately 7.2% as at 31 December 2015. The increase was primarily due to an increase in the Group's bank borrowings which were taken for the acquisition of Guojian.

Contingent Liabilities

As at 30 June 2016, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB215.4 million as at 30 June 2016, as compared to approximately RMB27.4 million as at 31 December 2015.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in the PRC, with all material aspects of its regular business conducted in RMB other than in regard to: (1) the operations of Sirton; (2) the Group's exports, which amounted to approximately RMB19.7 million, representing 1.5% of the Group's revenue, for the six months ended 30 June 2016; and (3) the Group's bank borrowings denominated in Hong Kong Dollar ("**HKD**"). Except for the operations of Sirton, the Group's exports and the foreign currency denominated bank deposits and bank borrowings, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 30 June 2016, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately United States Dollar ("**USD**") 107.1 million (equivalent to approximately RMB710.2 million) denominated in USD; and (2) approximately HKD84.4 million (equivalent to approximately RMB72.2 million) denominated in HKD. The Group's foreign currency denominated bank borrowings comprised approximately HKD2,245 million (equivalent to approximately RMB1,913.1 million) denominated in HKD. The Group expects that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operations of the Group for the foreseeable period.

Future Plans for Material Investments or Capital Assets

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

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2016, the Group employed a total of 3,305 employees, as compared to a total of 2,177 employees as at 31 December 2015. The staff costs, including emoluments for the directors of the Company ("**Directors**") but excluding any contributions to pension scheme, were approximately RMB228.0 million for the six months ended 30 June 2016, as compared to approximately RMB116.8 million for the corresponding period in 2015. The Group generally formulated its employees' remuneration package to include salary, bonus and allowance elements. The compensation programs were designed to remunerate the employees based on their performance, measured against specified objective criteria. The Group also provided the employees with welfare benefits in accordance with applicable regulations and the Group's internal policies. The Company has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of members of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange 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 Reporting Period.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

THE BOARD AND ITS COMMITTEES

The compositions of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company remain the same as set out in the Company's annual report published on 29 April 2016.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2016.

AUDIT COMMITTEE

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

The Audit Committee, together with the management, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016. The Audit Committee has also reviewed the effectiveness of the internal control and risk management systems of the Company and considers the internal control and risk management systems to be effective and adequate.

In addition, the independent auditor of the Company, Ernst & Young, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016 in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*".

CHANGES TO INFORMATION REGARDING DIRECTORS AND CHIEF EXECUTIVE

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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

As at 30 June 2016, the interests or short positions of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Interest in the Company

Name	Nature of Interest	Number of Shares Held	Percentage of All Shares in Issue[(1)]
LOU Jing (婁競)[(2)]	Interest in controlled corporation	599,367,030[(L)]	23.67%
TAN Bo (譚擘)[(3)]	Interest in controlled corporation	116,849,920[(L)]	4.61%
SU Dongmei (蘇冬梅)[(4)]	Interest in controlled corporation	25,465,630[(L)]	1.01%
HUANG Bin (黃斌)[(5)]	Interest in controlled corporation	33,101,350[(L)]	1.31%

Notes:

(L): denotes long position

(1) The calculation is based on the total number of 2,532,313,570 shares in issue as at 30 June 2016.

(2) LOU Jing directly holds 64.35% of issued share capital of Century Sunshine Limited ("**CSL**") (which holds 100% of the issued share capital of Decade Sunshine Limited ("**DSL**")) and therefore, is deemed to be interested in the same number of the shares in which DSL is interested, which owns 599,367,030 shares of the Company.

(3) TAN Bo directly holds the entire issued share capital of Triple Talent Enterprises Limited ("**TTE**") and therefore, is deemed to be interested in the same number of the shares in which TTE is interested, which owns 116,849,920 shares of the Company.

(4) SU Dongmei directly holds the entire issued share capital of Joint Palace Group Limited ("**JPG**") and therefore, is deemed to be interested in the same number of the shares in which JPG is interested, which owns 25,465,630 shares of the Company.

(5) HUANG Bin directly holds the entire issued share capital of Known Virtue International Limited ("**KVI**") and therefore, is deemed to be interested in the same number of the shares in which KVI is interested, which owns 33,101,350 shares of the Company.

Save as disclosed above, as at 30 June 2016, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2016, to the best of the Directors' knowledge, the following persons (other than the Directors or the chief executive of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Nature of Interest	Number of Shares Held	Percentage of All Shares in Issue[1]
DSL[2]	Beneficial owner	599,367,030[L]	23.67%
CSL[2]	Interest in controlled corporation	599,367,030[L]	23.67%
CS Sunshine Investment Limited[3]	Beneficial owner	712,258,360[L]	28.13%
CPEChina Fund, L.P.[3]	Interest in controlled corporation	712,258,360[L]	28.13%
CITIC PE Associates, L.P.[3]	Interest in controlled corporation	712,258,360[L]	28.13%
CITIC PE Funds Limited[3]	Interest in controlled corporation	712,258,360[L]	28.13%
CITICPE Holdings Limited[3]	Interest in controlled corporation	712,258,360[L]	28.13%
CITIC Securities International Asset Management Limited[3]	Interest in controlled corporation	712,258,360[L]	28.13%
CITIC Securities International Co. Ltd.[3]	Interest in controlled corporation	712,258,360[L]	28.13%
CITIC Securities Company Limited [3]	Interest in controlled corporation	712,258,360[L]	28.13%
Lambda International Limited[4]	Interest in controlled corporation	599,367,030[L]	23.67%
TMF (Cayman) Limited[5]	Trustee	655,856,160[L]	25.90%
LOU Dan[6]	Interest in controlled corporation	605,567,040[L]	23.91%

Notes:

(L): denotes long position

(1) The calculation is based on the total number of 2,532,313,570 shares in issue as at 30 June 2016.

(2) DSL is wholly-owned by CSL and therefore CSL is deemed to be interested in 599,367,030 shares held by DSL.

(3) CS Sunshine Investment Limited is wholly-owned by CPEChina Fund, L.P.. The general partner of CPEChina Fund, L.P. is CITIC PE Associates, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner is CITIC PE Funds Limited, an exempted company incorporated in the Cayman Islands with limited liability. CITIC PE Funds Limited is wholly-owned by CITICPE Holdings Limited. CITIC Securities International Asset Management Limited holds 35% of the issued share capital of CITICPE Holdings Limited. CITIC Securities International Asset Management Limited is wholly-owned by CITIC Securities International Co. Ltd., which in turn is wholly-owned by CITIC Securities Company Limited.

(4) Lambda International Limited, being a controlling shareholder of CSL, holds 35.65% of issued share capital of CSL and therefore Lambda International Limited is deemed to be interested in 599,367,030 shares held by CSL.

(5) TMF (Cayman) Limited ("**TMF**"), acting as trustee of certain trusts, holds directly Lambda International Limited as a wholly-owned subsidiary; in addition, TMF, acting as trustee of certain other trusts, holds directly Medical Recovery Limited, a company incorporated in the British Virgin Islands ("**BVI**"), as nominee, which is directly interested in 56,489,130 shares of the Company.

(6) LOU Dan is deemed to have 100% control over Lambda International Limited as the founder of a discretionary trust; in addition, he owns 100% interests of Hero Grand Management Limited, a company incorporated in the BVI, which owns 6,200,010 shares of the Company.

Save as disclosed above, as at 30 June 2016, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

POST-IPO SHARE OPTION SCHEME

Pursuant to a written resolution passed by the then sole shareholder of the Company on 23 May 2015, the Company adopted a share option scheme (the "**Scheme**"), as amended on 28 June 2016. The details of the Scheme have been disclosed in the prospectus of the Company dated 1 June 2015 in the section headed "Statutory and General Information — 5. Post-IPO Share Option Scheme" in Appendix IV and the circular of the Company dated 13 June 2016.

The Company had not granted any option under the Scheme during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 22 February 2016, Hongkong Sansheng Medical Limited (香港三生醫藥有限公司, "**Hongkong Sansheng**"), a wholly-owned subsidiary of the Company, entered into a Hong Kong dollar equivalent RMB2,200,000,000 term loan facility (the "**Loan Facility**") with Ping An Bank Company Limited (平安銀行股份有限公司). The funds from the Loan Facility were to be used for the purposes of undertaking of equity interest in Guojian, the acquisition of which is discussed in the subsection headed "Acquisition of Futher Equity Interests in Guojian" of this interim report.

The Loan Facility is to be repaid in five installments with the last installment due on the date falling 36 months after the first utilization date. As at 30 June 2016, the outstanding amount owing by the Hongkong Sansheng under the Loan Facility was RMB1,913.1 million.

The details of the Loan Facility are set out in the announcement of the Company dated 22 February 2016.

Pursuant to the terms of the Loan Facility, Hongkong Sansheng shall procure that Mr. LOU Jing, a controlling shareholder of the Company (as defined in the Listing Rules), will remain a controlling shareholder of the Company for as long as any amount is outstanding under the Loan Facility. As at 30 June 2016, the controlling shareholders of the Company (including DSL and Mr. LOU Jing) collectively control 837,473,070 Shares (representing approximately 33.07% of the issued share capital of the Company).

Save as disclosed above, the Directors are not aware of any other circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 30 June 2016.

ACQUISITION OF FURTHER EQUITY INTERESTS IN GUOJIAN

On 26 January 2016, Shanghai Hongshang Investment Co., Ltd. (上海翃熵投資有限公司, "**Shanghai Hongshang**"), Shanghai Lansheng Corporation (上海蘭生股份有限公司, "**Lansheng Corporation**") and Shanghai Lansheng (Group) Corporation (上海蘭生(集團)有限公司) ("**Lansheng Group**") entered into the equity transfer agreement ("**Agreement V**"). Pursuant to Agreement V, Shanghai Hongshang agreed to acquire and Lansheng Corporation agreed to sell approximately 34.65% equity interest in Lansheng Guojian at a cash consideration of approximately RMB890,094,000, and Shanghai Hongshang agreed to acquire and Lansheng Group agreed to sell approximately 3.85% equity interest in Lansheng Guojian at a cash consideration of approximately RMB98,899,300. Upon completion of the acquisition, Lansheng Guojian became a subsidiary of the Group with approximately 96.25% of its equity interest held by Shanghai Hongshang and holding approximately 41.69% equity interest in Guojian.

On 26 January 2016, Shanghai Hongshang and Lansheng Corporation entered into the equity transfer agreement ("**Agreement VI**"). Pursuant to Agreement VI, Shanghai Hongshang agreed to acquire and Lansheng Corporation agreed to sell an approximately 0.73% equity interest in Guojian at a cash consideration of approximately RMB44,325,600.

On 3 March 2016, the Company and CITIC Hong Kong (Holdings) Limited (中信(香港集團)有限公司, "**CITIC Holdings**") entered into the property transaction agreement ("**Agreement VII**"). Pursuant to Agreement VII, the Company conditionally agreed to acquire and CITIC Holdings conditionally agreed to sell (i) the entire issued share capital of Gains Prestige Limited (澤威有限公司, "**Gains Prestige**"), which indirectly holds approximately 43.42% equity interest in Guojian, and (ii) CITIC Holdings' interest in the shareholder's loan owed by Gains Prestige to CITIC Holdings for an outstanding amount of approximately HKD1,085,230,000, at an aggregate cash consideration of RMB2,713,750,000, payable in Hong Kong dollars. In addition, the Company granted options to CITIC Pacific Limited (中信泰富有限公司), which entitle the holders of the option to subscribe for up to a total of 125,765,500 ordinary shares of the Company at an exercise price of HKD9.10 per ordinary share. The options shall become exercisable upon the fulfilment of certain exercise conditions.

On 3 March 2016, Shenyang Sunshine and Xizang Hongshang Capital Investment Company Limited (西藏鴻商資本投資有限公司) ("**Xizang Hongshang**") entered into the equity transfer agreement ("**Agreement VIII**"). Pursuant to Agreement VIII, Shenyang Sunshine agreed to acquire and Xizang Hongshang agreed to sell a 30% equity interest in Shanghai Hongshang at a cash consideration of approximately RMB1,217,994,000. Upon completion of the acquisition, Shanghai Hongshang became a wholly-owned subsidiary of Shenyang Sunshine and the Group acquired an approximate 12.04% equity interest in Guojian.

For details of the aforesaid acquisitions, please refer to the announcements of the Company dated 26 January 2016 and 4 March 2016 and the circular of the Company dated 25 April 2016.

The acquisitions were considered to be completed by 31 March 2016, when Shanghai Hongshang, Lansheng Guojian, Gains Prestige and Guojian became subsidiaries of the Group. The financial information of the aforesaid companies have been consolidated into the Group's financial statements since 1 April 2016. Following the completion of the aforesaid acquisitions, the Group collectively controls an approximate 97.78% equity interest in Guojian.

Report on Review of Interim Financial Information

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To the Board of Directors of 3SBio Inc.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 27 to 60, which comprises the interim condensed consolidated statement of financial position of 3SBio Inc. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") as of 30 June 2016 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes.

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**").

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
22 August 2016

Unaudited Interim Condensed Consolidated Statement of Profit or Loss

	Notes	For the six months ended 30 June 2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
REVENUE	3	**1,304,866**	790,322
Cost of sales		**(171,687)**	(100,071)
Gross profit		**1,133,179**	690,251
Other income and gains	3	**52,852**	41,199
Selling and distribution expenses		**(470,882)**	(275,963)
Administrative expenses		**(161,725)**	(99,646)
Other expenses and losses	4	**(117,816)**	(53,806)
Finance costs	5	**(74,456)**	(21,802)
Share of losses of associates		**(8,557)**	(1,931)
PROFIT BEFORE TAX		**352,595**	278,302
Income tax expense	6	**(62,600)**	(35,794)
PROFIT FOR THE PERIOD		**289,995**	242,508
Attributable to:			
Owners of the parent		**286,852**	242,496
Non-controlling interests		**3,143**	12
		289,995	242,508
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
— Basic (RMB)	8	**0.11**	0.12
— Diluted (RMB)	8	**0.11**	0.12

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**289,995**	242,508
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Change in fair value of available-for-sale investments, net of tax	**584**	(1,704)
Exchange differences on translation of foreign operations	**(9,116)**	(3,538)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(8,532)**	(5,242)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(8,532)**	(5,242)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**281,463**	237,266
Attributable to:		
Owners of the parent	**278,320**	237,254
Non-controlling interests	**3,143**	12
	281,463	237,266

Unaudited Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,735,986**	450,254
Prepaid land lease payments		**302,639**	91,908
Goodwill		**3,888,282**	560,883
Other intangible assets		**1,988,760**	497,753
Advance payments for property, plant and equipment		**44,818**	13,326
Investment in a joint venture		**135**	130
Investments in associates		**21,423**	1,729,219
Advance payments for acquisitions		**—**	505,883
Long-term receivables		**76,517**	—
Available-for-sale investments		**50,000**	—
Deferred tax assets		**72,483**	15,411
Other non-current assets		**3,271**	2,698
Total non-current assets		**8,184,314**	3,867,465
CURRENT ASSETS			
Inventories	10	**260,368**	134,391
Trade and notes receivables	11	**855,097**	549,596
Prepaid expenses and other receivables		**99,747**	147,025
Available-for-sale investments		**157,294**	81,585
Derivative financial instruments		**4,084**	—
Non-pledged time deposits with original maturity over three months when acquired	12	**—**	519,488
Cash and cash equivalents	12	**768,965**	1,299,398
Pledged deposits	12	**554,488**	31,484
Total current assets		**2,700,043**	2,762,967

Unaudited Interim Condensed Consolidated Statement of Financial Position (continued)

	Notes	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	13	**55,072**	34,444
Other payables and accruals	14	**441,837**	309,992
Deferred income		**23,352**	12,959
Interest-bearing bank borrowings	15	**778,320**	405,000
Tax payable		**64,410**	10,215
Total current liabilities		**1,362,991**	772,610
NET CURRENT ASSETS		**1,337,052**	1,990,357
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,521,366**	5,857,822
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	**2,766,461**	—
Deferred income		**291,516**	122,567
Deferred tax liabilities		**299,322**	81,790
Other liabilities		**23,531**	18,000
Total non-current liabilities		**3,380,830**	222,357
Net assets		**6,140,536**	5,635,465
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**155**	154
Share premium		**4,367,719**	4,355,287
Reserves		**1,527,366**	1,268,849
		5,895,240	5,624,290
Non-controlling interests		**245,296**	11,175
Total equity		**6,140,536**	5,635,465

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent									
	Share capital RMB'000 (unaudited)	Share premium RMB'000 (unaudited)	Contributed surplus* RMB'000 (unaudited)	Statutory surplus reserve* RMB'000 (unaudited)	Retained earnings* RMB'000 (unaudited)	Available-for-sale investment revaluation reserves* RMB'000 (unaudited)	Exchange fluctuation reserves* RMB'000 (unaudited)	Total RMB'000 (unaudited)	Non-controlling interests RMB'000 (unaudited)	Total equity RMB'000 (unaudited)
At 1 January 2016	**154**	**4,355,287**	**197,156**	**125,378**	**978,388**	**1,703**	**(33,776)**	**5,624,290**	**11,175**	**5,635,465**
Profit for the period	**–**	**–**	**–**	**–**	**286,852**	**–**	**–**	**286,852**	**3,143**	**289,995**
Other comprehensive income:										
Change in fair value of available-for-sale investments, net of tax	**–**	**–**	**–**	**–**	**–**	**584**	**–**	**584**	**–**	**584**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(9,116)**	**(9,116)**	**–**	**(9,116)**
Total comprehensive income	**–**	**–**	**–**	**–**	**286,852**	**584**	**(9,116)**	**278,320**	**3,143**	**281,463**
Equity-settled warrants (Note 17)	**–**	**–**	**(7,371)**	**–**	**–**	**–**	**–**	**(7,371)**	**–**	**(7,371)**
Shares issued upon exercise of warrants (Note 16)	**1**	**12,432**	**(12,432)**	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Acquisition of subsidiaries (Note 18)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**230,978**	**230,978**
At 30 June 2016	**155**	**4,367,719**	**177,353**	**125,378**	**1,265,240**	**2,287**	**(42,892)**	**5,895,240**	**245,296**	**6,140,536**
At 1 January 2015	–	366,448	150,575	85,425	492,061	6,532	(168,674)	932,367	11,225	943,592
Profit for the period	–	–	–	–	242,496	–	–	242,496	12	242,508
Other comprehensive income:										
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	–	(1,704)	–	(1,704)	–	(1,704)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(3,538)	(3,538)	–	(3,538)
Total comprehensive income	–	–	–	–	242,496	(1,704)	(3,538)	237,254	12	237,266
Equity-settled warrants (Note 17)	–	–	23,290	–	–	–	–	23,290	–	23,290
Share dividends declared	119	(119)	–	–	–	–	–	–	–	–
Issuance of shares	35	3,985,422	–	–	–	–	–	3,985,457	–	3,985,457
At 30 June 2015	154	4,351,751	173,865	85,425	734,557	4,828	(172,212)	5,178,368	11,237	5,189,605

* These reserve accounts comprise the consolidated reserves of RMB1,527,366,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2016 (as at 31 December 2015: RMB1,268,849,000).

Unaudited Interim Condensed Consolidated Statement of Cash Flows

	Notes	For the six months ended 30 June 2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**352,595**	278,302
Adjustments for:			
Share of losses of associates		**8,557**	1,931
Fair value gain on the revaluation of investment in an associate	3	**(6,117)**	—
Interest income	3	**(13,321)**	(7,928)
Finance costs	5	**74,456**	21,802
Foreign exchange losses/(gains)	3,4	**4,176**	(14,920)
Recognition/(reversal of recognition) of share-based compensation costs	17	**(7,371)**	23,290
Depreciation	4	**42,733**	22,371
Amortisation of other intangible assets	4	**30,412**	1,785
Amortisation of prepaid land lease payments	4	**2,574**	1,147
Amortisation of long-term deferred expenditures	4	**679**	152
Recognition of deferred income		**(10,257)**	(3,454)
Fair value loss on derivative financial instruments	4	**1,278**	—
Provision/(reversal of provision) for impairment of trade receivables	4	**(3,292)**	1,244
Reversal of provision for impairment of other receivables	4	**(1,770)**	—
Impairment of inventories	10	**2,787**	922
Provision for impairment of investment in an associate	4	**1,354**	—
Distribution received from an associate	3	**(2,155)**	—
Payment for service fee in relation to acquisition of subsidiaries		**78,275**	—
Loss on disposal of items of property, plant and equipment	4	**912**	175
		556,505	326,819
Increase in inventories		**(13,577)**	(7,022)
Decrease in pledged deposits		**2,808**	754
Increase in trade and notes receivables		**(194,835)**	(111,387)
Increase in prepaid expenses and other receivables		**(29,686)**	(883)
Decrease in long-term receivables		**—**	324
Increase in trade and bills payables		**7,334**	13,757
Increase in other payables and accruals		**92,025**	77,799
Cash generated from operations		**420,574**	300,161
Income tax paid		**(25,737)**	(32,971)
Net cash flows from operating activities		**394,837**	267,190

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

	Note	For the six months ended 30 June 2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**5,503**	5,163
Purchase of items of property, plant and equipment		**(38,559)**	(20,103)
Proceeds from disposal of available-for-sale securities		**64,190**	2,000
Purchase of available-for-sale investments		**(110,135)**	—
Purchase of derivative financial instruments		**(5,362)**	—
Addition to other intangible assets		**(3,686)**	—
Increase/(decrease) in prepaid expenses and other receivables		**3,500**	(2,514)
Increase in long-term receivables		**(75,000)**	—
Distribution received from an associate		**2,155**	—
Payment for pledged deposits		**—**	(1,136)
Proceeds from disposal of pledged deposits		**—**	115
Purchase of non-pledged time deposits		**—**	(305,680)
Payment for acquisition of subsidiaries	18	**(4,138,200)**	(377,181)
Payment for service fee in relation to acquisition of subsidiaries		**(78,275)**	—
Proceeds from disposal of a subsidiary		**100,000**	32,225
Payments for investment in an associate		**(2,189)**	—
Proceeds from disposal of property, plant and equipment		**90**	8
Net cash flows used in investing activities		**(4,275,968)**	(667,103)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		**—**	4,001,750
Decrease in pledged deposits for bank borrowings		**7,858**	80,778
Proceeds from bank borrowings		**3,988,667**	349,659
Loan from an associate		**300,000**	—
Repayments of bank borrowings		**(857,786)**	(297,429)
Interest paid		**(67,089)**	(24,123)
Net cash flows from financing activities		**3,371,650**	4,110,635
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(509,481)**	3,710,722
Cash and cash equivalents at beginning of period		**1,299,398**	107,612
Effect of foreign exchange rate changes on cash, net		**(20,952)**	17,264
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**768,965**	3,835,598

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

1. Corporate information

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

The Company is an investment holding company. During the six months ended 30 June 2016, the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") principally engaged in the development, production, marketing and sale of pharmaceutical products in the People's Republic of China ("**PRC**") except for Hong Kong and Macau ("**Mainland China**").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 June 2015.

2. Basis of preparation and changes to the group's accounting policies

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

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

2. Basis of preparation and changes to the group's accounting policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") effective as of 1 January 2016 as listed below:

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*
- *Annual Improvements 2012–2014 Cycle*
- Amendments to IAS 1 *Disclosure Initiative*
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The adoption of these new and revised IFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements of the Group.

3. Revenue, other income and gains

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

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

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Revenue		
Sale of goods	**1,310,891**	794,875
Less: Business tax and government surcharges	**(6,025)**	(4,553)
	1,304,866	790,322
Other income		
Bank interest income	**13,321**	7,928
Government grants related to		
— Assets	**8,288**	584
— Income	**21,903**	4,704
Consulting service income	**—**	670
Licensing income	**—**	3,064
Patent and technology know-how transfer income	**—**	6,000
Distribution received from an associate	**2,155**	—
Others	**1,068**	3,329
	46,735	26,279
Gains		
Fair value gain on the revaluation of investment in an associate	**6,117**	—
Foreign exchange differences	**—**	14,920
	6,117	14,920
	52,852	41,199

4. Profit before tax

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

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Cost of inventories sold	**171,687**	100,071
Depreciation of items of property, plant and equipment	**42,733**	22,371
Amortisation of other intangible assets	**30,412**	1,785
Amortisation of prepaid land lease payments	**2,574**	1,147
Amortisation of long-term deferred expenditures	**679**	152
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**217,206**	110,476
Pension scheme contributions	**12,628**	8,630
Social welfare and other costs	**10,824**	6,278
	240,658	125,384
Other expenses and losses:		
Research and development costs	**109,603**	49,293
Loss on disposal of items of property, plant and equipment	**912**	175
Provision/(reversal of provision) for impairment of trade receivables	**(3,292)**	1,244
Provision for impairment of investment in an associate	**1,354**	—
Reversal of provision for impairment of other receivables	**(1,770)**	—
Foreign exchange differences	**4,176**	—
Fair value loss on derivative financial instruments	**1,278**	—
Others	**5,555**	3,094
	117,816	53,806

5. Finance costs

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest on bank borrowings repayable within five years	**74,456**	21,802

6. Income tax

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

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

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2016 as the Group had no assessable profits arising in Hong Kong.

Under the relevant PRC income tax law, except for Shenyang Sunshine Pharmaceutical Co., Ltd. ("**Shenyang Sunshine**"), Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (formerly known as Shanghai CP Guojian Pharmaceutical Co., Ltd.) ("**Guojian**"), Shenzhen Sciprogen Bio-pharmaceutial Technology Co., Ltd. ("**Sciprogen**") and Zhejiang Wansheng Pharmaceutical Co., Ltd. ("**Zhejiang Wansheng**") 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, Guojian, Sciprogen and Zhejiang Wansheng, which qualify as High and New Technology Enterprises, are subject to a preferential income tax rate of 15% for the six months ended 30 June 2016.

6. Income tax (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current	**74,300**	53,117
Deferred	**(11,700)**	(17,323)
Total tax charge for the period	**62,600**	35,794

7. Dividends

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Proposed and declared dividend	**–**	119

No dividends were declared or paid by the Company during the six months ended 30 June 2016.

Pursuant to the Board's resolutions dated 6 February 2015, the Company proposed 2015 share dividends with the aggregate amounts of approximately United States Dollar ("**USD**") 19,000, which was approved by Decade Sunshine Limited ("**Decade Sunshine**"), the then sole shareholder of the Company on the same date.

8. Earnings per share attributable to equity holders of the parent

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2016 attributable to equity holders of the parent of RMB286,852,000 (for the six months ended 30 June 2015: RMB242,496,000) and the weighted average of 2,515,408,014 (for the six months ended 30 June 2015: 1,991,205,431) ordinary shares of the Company in issue during the reporting period, as adjusted to reflect the issue of ordinary shares during the reporting period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to equity holders of the parent, the weighted average number of ordinary shares used in the calculation of the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at the exercise price on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to equity holders of the parent	**286,852**	242,496

	For the six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period	**2,515,408,014**	1,991,205,431
Effect of dilution — weighted average number of ordinary shares:		
Warrants	**28,152,578**	10,758,739
	2,543,560,592	2,001,964,170

9. Property, plant and equipment

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Carrying amount at 1 January	**450,254**	373,990
Additions	**31,618**	43,620
Acquisition of subsidiaries (note 18)	**1,296,355**	137,813
Depreciation provided during the period/year	**(42,733)**	(49,863)
Disposals	**(1,002)**	(3,475)
Disposal of a subsidiary	**—**	(49,815)
Exchange realignment	**1,494**	(2,016)
Carrying amount at 30 June/31 December	**1,735,986**	450,254

A freehold land with a carrying amount of approximately RMB3,755,000 as at 30 June 2016 (31 December 2015: RMB3,613,000) is situated in Italy.

The Group was in the process of applying for the title certificates of certain of its buildings with an aggregate book value of approximately RMB8,428,000 as at 30 June 2016 (31 December 2015: RMB8,679,000). The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 30 June 2016.

Certain of the Group's property, plant and equipment with a net book value of approximately RMB44,260,000 as at 30 June 2016 (31 December 2015: RMB49,538,000) have been pledged as security for the Group's interest-bearing bank borrowings (note 15).

10. Inventories

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Raw materials	**46,852**	20,859
Work in progress	**154,685**	77,880
Finished goods	**51,602**	26,664
Consumables and packaging materials	**9,041**	9,971
	262,180	135,374
Impairment	**(1,812)**	(983)
	260,368	134,391

During the six months ended 30 June 2016, the Group wrote down inventories of RMB2,787,000 (for the six months ended 30 June 2015: RMB922,000). This expense is included in cost of sales in the statement of profit or loss.

11. Trade and notes receivables

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Trade receivables	**751,224**	425,922
Notes receivable	**115,225**	138,305
	866,449	564,227
Provision for impairment of trade receivables	**(11,352)**	(14,631)
	855,097	549,596

11. Trade and notes receivables (continued)

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

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

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Within 1 month	**356,107**	200,802
1 to 3 months	**356,292**	188,335
4 to 6 months	**20,295**	12,127
Over 6 months to 1 year	**10,807**	9,992
1 to 2 years	**4,836**	12,483
Over 2 years	**2,887**	2,183
	751,224	425,922

12. Cash and cash equivalents and pledged deposits

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Cash and bank balances	**764,446**	1,298,372
Restricted cash	**4,519**	1,026
Deposits	**554,488**	550,972
	1,323,453	1,850,370
Less:		
Pledged deposits for letters of credit	**(1,515)**	(1,149)
Pledged deposits for short-term bank borrowings	**(552,973)**	(30,335)
Non-pledged time deposits with original maturity over three months when acquired	**—**	(519,488)
Cash and cash equivalents in the condensed consolidated statement of financial position	**768,965**	1,299,398
Cash and cash equivalents and pledged deposits denominated in:		
— RMB	**533,381**	716,420
— Other currencies	**790,072**	1,133,950
	1,323,453	1,850,370

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

13. Trade and bills payables

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

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Within 3 months	**41,896**	23,262
3 to 6 months	**2,208**	3,442
Over 6 months	**10,968**	7,740
	55,072	34,444

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

14. Other payables and accruals

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Accrued selling and marketing expenses	**152,662**	78,694
Accrued salaries, bonuses and welfare expenses	**93,666**	51,523
Payable to vendors of property, plant and equipment	**3,438**	6,084
Payable to vendors of technology know-how	**4,009**	1,709
Taxes payable (other than income tax)	**21,405**	19,608
Receipts in advance from customers	**6,138**	15,557
Due to related parties	**113,310**	113,324
Interest payable	**9,729**	2,515
Others	**37,480**	20,978
	441,837	309,992

Other payables are non-interest-bearing.

15. Interest-bearing bank borrowings

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Current		
Short-term bank borrowings, secured	**769,420**	405,000
Short-term bank borrowings, unsecured	**8,900**	—
	778,320	405,000
Non-current		
Long-term bank borrowings, secured	**2,766,461**	—
Total	**3,544,781**	405,000

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Interest-bearing bank borrowings denominated in:		
— RMB	**1,465,900**	405,000
— USD	**165,780**	—
— Hong Kong Dollar ("**HKD**")	**1,913,101**	—
Total	**3,544,781**	405,000

Notes:

(i) The bank borrowings bear fixed interest rates varied from 2.5% to 6.72% per annum and are secured by pledged deposits, notes receivable, prepaid land lease payments, property, plant and equipment and equity interests in subsidiaries of the Group.

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

16. Share capital

Shares	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Issued and fully paid:		
2,532,313,570 (31 December 2015: 2,515,313,570) ordinary shares	**155**	154

A summary of movements in the Company's issued share capital for the six months ended 30 June 2016 is as follows:

	Number of shares in issue	Share capital (unaudited) RMB'000	Share premium (unaudited) RMB'000	Total (unaudited) RMB'000
Ordinary shares of USD0.00001 each at 31 December 2015 and 1 January 2016	**2,515,313,570**	**154**	**4,355,287**	**4,355,441**
Shares issued upon exercise of warrants	**17,000,000**	**1**	**12,432**	**12,433**
Ordinary shares of USD0.00001 each at 30 June 2016	**2,532,313,570**	**155**	**4,367,719**	**4,367,874**

17. Share incentive scheme

Warrants granted by the Company

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

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

17. Share incentive scheme (continued)

Warrants granted by the Company (continued)

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

Dividend yield (%)	—
Expected volatility (%)	37.50
Risk-free interest rate (%)	1.1
Contractual life of share options (years)	3.50
Underlying share price (RMB)	70.50
Exercise price of each warrant (RMB)	0.00006

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

For the six months ended 30 June 2016, the Group reversed share-based payment expenses of RMB7,371,000 in the statement of profit or loss (for the six months ended 30 June 2015: recognised expenses of RMB23,290,000) due to the anticipated failure of meeting certain vesting conditions by the warrant holders.

There was no new grant for the six months ended 30 June 2016 (for the six months ended 30 June 2015: newly granted warrants exercisable on 112,882,033 ordinary shares).

There were no vested warrants for the six months ended 30 June 2016 (for the six months ended 30 June 2015: newly vested warrants exercisable on 11,288,203 ordinary shares), and warrants exercisable on 17,000,000 ordinary shares were exercised at an exercise price of USD0.00001 per share, resulted in the issue of 17,000,000 ordinary shares of the Company and new share capital and share premium of RMB1,000 and RMB12,432,000 respectively (before issue expenses), as further detailed in note 16 to the financial statements (for the six months ended 30 June 2015: nil).

There was no forfeiture or expiry of Guojian Warrants for the six months ended 30 June 2016 and 2015.

The weighted average share price at the date of exercise of warrants during the six months ended 30 June 2016 was HKD7.77 per share (for the six months ended 30 June 2015: no warrants were exercised).

18. Business combination

As at 31 December 2015, the Group held approximately 28.8% of the equity interests in Guojian. During the six months ended 30 June 2016, the Group further acquired equity interests in Guojian through the following transactions, upon the completion of which the Group held approximately 97.78% of equity interests in Guojian.

Pursuant to the sale and purchase agreement between Shanghai Hongshang Investment Co., Ltd. ("**Shanghai Hongshang**"), Shanghai Lansheng Corporation ("**Lansheng Corporation**") and Shanghai Lansheng (Group) Corporation ("**Lansheng Group**") dated 26 January 2016, Shanghai Hongshang acquired 34.65% and 3.85% of equity interests in Lansheng Guojian Pharmaceutical Co., Ltd. ("**Lansheng Guojian**") at cash considerations of approximately RMB890,094,000 and RMB98,899,000 from Lansheng Corporation and Lansheng Group, respectively. Lansheng Guojian became a subsidiary with 96.25% of its equity interests owned by Shanghai Hongshang and held approximately 41.69% of equity interests in Guojian.

Pursuant to the sale and purchase agreement between Shanghai Hongshang and Lansheng Corporation dated 26 January 2016, Shanghai Hongshang acquired a 0.73% equity interest in Guojian at a cash consideration of approximately RMB44,326,000.

Pursuant to the sale and purchase agreement between Shenyang Sunshine and Xizang Hongshang Capital Equity Investment Co., Ltd. dated 3 March 2016, Shenyang Sunshine acquired 30% of equity interests in Shanghai Hongshang at a cash consideration of RMB1,217,994,000. Shanghai Hongshang became a wholly-owned subsidiary of Shenyang Sunshine.

Pursuant to the sale and purchase agreement between the Company and CITIC Hong Kong (Holdings) Limited ("**CITIC Holdings**") dated 3 March 2016, the Company acquired (i) the entire equity interests of Gains Prestige Limited ("**Gains Prestige**"), which indirectly holds approximately 43.42% of equity interests in Guojian, from CITIC Holdings, and (ii) the interests of CITIC Holdings in a shareholder's loan of HKD1,085,230,000 owed by Gains Prestige, at an aggregate cash consideration of HKD3,229,501,000 (equivalent to approximately RMB2,713,750,000). In addition, the Company granted the options to CITIC Pacific Limited, which entitle the holders to subscribe for up to a total of 125,765,500 ordinary shares of the Company at an exercise price of HKD9.1 per share. The options will vest and become exercisable by the holders upon meeting certain vesting and exercise conditions.

The details of the above transactions are set out in the circular to shareholders of the Company dated 25 April 2016. The acquisitions were considered to be completed by 31 March 2016, when Shanghai Hongshang, Lansheng Guojian, Gains Prestige and Guojian became subsidiaries of the Group.

18. Business combination (continued)

The fair values of the identifiable assets and liabilities of Gains Prestige, Shanghai Hongshang, Lansheng Guojian and Guojian as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	1,296,355
Prepaid land lease payments	218,600
Other intangible assets	1,517,716
Deferred tax assets	50,733
Other non-current assets	28,398
Inventories	114,938
Trade and notes receivables	106,925
Prepaid expenses and other receivables	313,885
Available-for-sale investment	77,735
Cash and cash equivalents	320,981
Pledged deposits	3,174
Trade and bills payables	(12,994)
Accrued expenses and other payables	(64,709)
Interest-bearing bank borrowings	(8,900)
Tax payable	(5,551)
Deferred income	(161,775)
Deferred tax liabilities	(222,868)
Total identifiable net assets at fair value	3,572,643
Non-controlling interests	(230,978)
Goodwill on acquisition	3,327,399
	6,669,064
Satisfied by cash	4,459,181
Advance payments made as at 31 December 2015	505,883
Fair value of the 28.8% equity interest of Guojian as at the date of acquisition	1,704,000
	6,669,064

18. Business combination (continued)

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration paid	4,459,181
Less: Cash and cash equivalents acquired	(320,981)
Net outflow of cash and cash equivalents included in cash flows from investing activities	4,138,200

Since the acquisition, the contributions of Shanghai Hongshang, Gains Prestige, Lansheng Guojian and Guojian to the Group's consolidated revenue and consolidated profit for the six months ended 30 June 2016 amounted to RMB309,537,000 and RMB144,977,000 respectively.

Had the combination taken place at the beginning of the period, the revenue and the profit of the Group for the period would have been RMB1,443,889,000 and RMB266,238,000 respectively.

19. Related party disclosures

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

Company	Relationship
Decade Sunshine	Owned by key management personnel of the Group
Injenerics Srl ("**Injenerics**")	Joint venture
Ascentage Shanghai Pharmaceutical Co., Ltd.	Associate
Ascentage Pharma Group Co., Ltd. ("**Ascentage Pharma**")	Associate
Ascentage Jiangsu Pharmaceutical Co., Ltd.	Associate
Beijing Huansheng Medical Investment Co., Ltd. ("**Beijing Huansheng**")	Significantly influenced by a director of the Company and owned by certain management personnel of the Group
Jiangsu Sunshine Pharmaceutical Technology Co., Ltd.	Subsidiary of Beijing Huansheng
Liaoning Sunshine Science and Technology Development Co., Ltd.	Subsidiary of Beijing Huansheng
Ningbo Meishan Bonded Port Zone Xinsheng Medical Investment Management Partnership (Limited Partnership) ("**Xinsheng Medical**")	Significantly influenced by a director of the Company and owned by certain management personnel of the Group
Zhejiang Sunshine Pharmaceutical Co., Ltd. ("**Zhejiang Sunshine**")	Subsidiary of Xinsheng Medical

19. Related party disclosures (continued)

(a) The Group had the following transactions with related parties during the six months ended 30 June 2016:

		For the six months ended 30 June	
		2016	2015
		(unaudited)	(unaudited)
		RMB'000	RMB'000
Purchase of a convertible loan issued by a related party	(i)	**76,517**	—
Service fee paid to associates	(ii)	**500**	1,000
Prepayments/loans to an associate		**—**	2,514
Sales of products to an associate		**—**	178
Loan from an associate	(iii)	**300,128**	—

Notes:

(i) On 29 March 2016, Shenyang Sunshine agreed to make available to Zhejiang Sunshine, approximately 52.1% of the equity interest of which is owned by one of the controlling shareholders of the Company and thus is a related party of the Group, a convertible loan with a principal amount of RMB75,000,000 at an interest rate of 8% per annum. The convertible loan can be converted into equity interests in Zhejiang Sunshine at the discretion of Shenyang Sunshine. The accrued interest for the six months ended 30 June 2016 was RMB1,517,000 (for the six months ended 30 June 2015: nil).

(ii) The Group engaged Beijing Huansheng to provide consulting services. The Group recognised a service fee of RMB500,000 during the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil) according to the progress achieved.

(iii) On 28 March 2016, Guojian extended a loan, the principal amount of which is RMB300,000,000, to Shenyang Sunshine at an interest rate of 3.85% per annum with the maturity date on 27 March 2017.

(b) Outstanding balances with related parties:

	30 June 2016	31 December 2015
	(unaudited)	(audited)
	RMB'000	RMB'000
Due from related parties:		
Current portion		
Beijing Huansheng	**500**	104,500
Injenerics	**851**	805
Directors and senior management (i)	**10,323**	10,323
	11,674	115,628
Non-current portion		
Zhejiang Sunshine	**76,517**	—

Note:

(i) The balance represents the Individual Income Tax ("**IIT**") on the grantees in connection with the RSUs granted on 31 August 2013 and 31 August 2014 which was paid by the Company on behalf of the grantees in accordance with tax regulations in Mainland China. The balance was unsecured, interest-free and had no fixed terms of repayment.

19. Related party disclosures (continued)

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

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Due to related parties:		
Ascentage Pharma	**8,537**	10,726
Century Sunshine	**104,773**	102,598
	113,310	113,324

None of the amounts due from related parties is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of the balances with related parties approximate to their fair values.

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

	For the six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Salaries, allowances and benefits in kind	**7,822**	4,176
Pension scheme contributions	**201**	485
	8,023	4,661

20. Commitments

The Group had the following capital commitments as at 30 June 2016:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	**147,044**	24,182
Other intangible assets — online marketing platform	**2,000**	3,200
Capital contributions for a joint venture	**66,312**	—
	215,356	27,382

21. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at 30 June 2016 are as follows:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Financial assets		
Available-for-sale financial assets:		
Available-for-sale investments	**207,294**	81,585
Financial assets at fair value through profit or loss:		
Derivative financial instruments	**4,084**	—
Loans and receivables:		
Financial assets included in other non-current assets	**600**	600
Trade and notes receivables	**855,097**	549,596
Long-term receivables	**76,517**	—
Financial assets included in prepaid expenses and other receivables	**52,566**	135,441
Cash and cash equivalents	**768,965**	1,299,398
Non-pledged time deposits with original maturity over three months when acquired	**—**	519,488
Pledged deposits	**554,488**	31,484
	2,519,611	2,617,592

21. Financial instruments by category (continued)

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	**55,072**	34,444
Financial liabilities included in other payables and accruals	**158,237**	135,819
Interest-bearing bank borrowings	**3,544,781**	405,000
Financial liability included in other liabilities	**23,531**	18,000
	3,781,621	593,263

22. Fair value and fair value hierarchy of financial instruments

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

	Carrying amounts		Fair value	
	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Financial assets				
Available-for-sale investments	**207,294**	81,585	**207,294**	81,585
Derivative financial instruments	**4,084**	—	**4,084**	—
Long-term receivables	**76,517**	—	**79,289**	—
	287,895	81,585	**290,667**	81,585
Financial liabilities				
Interest-bearing bank borrowings	**3,544,781**	405,000	**3,641,872**	405,000
Financial liability included in other liabilities	**5,000**	—	**4,621**	—
	3,549,781	405,000	**3,646,493**	405,000

22. Fair value and fair value hierarchy of financial instruments (continued)

Management has determined that the fair values of cash and cash equivalents, pledged deposits, non-pledged deposits, trade and notes receivables, financial assets included in prepaid expenses and other receivables, investments in bank financial products included in available-for-sale investments, trade and bills payables, and financial liabilities included in other payables and accruals, reasonably approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

The following methods and assumptions were used to estimate the fair values:

The fair values of the long-term receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of long-term receivables are reasonably approximate to their carrying amounts due to the insignificance.

The fair values of interest-bearing bank borrowings are reasonably approximate to their carrying amounts due to the short-term maturities. The Group's own non-performance risk for interest-bearing bank borrowings and financial liabilities included in other payables and accruals as at 30 June 2016 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices adjusted for the discount of lack of marketability during the restricted period.

The fair value of derivative financial instruments, which represents the warrants exercisable on the issuer's ordinary shares, is measured using the Black-Scholes option pricing model. The model incorporates various market observable inputs including the underlying stock spot closing price, market risk-free rate and stock price volatility.

22. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy

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

Financial assets measured at fair value:

As at 30 June 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (unaudited) RMB'000	Significant observable inputs (Level 2) (unaudited) RMB'000	Significant unobservable inputs (Level 3) (unaudited) RMB'000	Total (unaudited) RMB'000
Available-for-sale investments:				
Equity investments	73,059	—	50,000	123,059
Investments in bank financial products		84,235		84,235
Derivative financial instruments	—	4,084	—	4,084
	73,059	88,319	50,000	211,378

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (audited) RMB'000	Significant observable inputs (Level 2) (audited) RMB'000	Significant unobservable inputs (Level 3) (audited) RMB'000	Total (audited) RMB'000
Available-for-sale investments:				
Equity investments	10,895	—	—	10,895
Investments in bank financial products	—	70,690	—	70,690
	10,895	70,690	—	81,585

The Group did not have any financial liabilities measured at fair value as at 30 June 2016 and 31 December 2015.

22. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at 30 June 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (unaudited) RMB'000	Significant observable inputs (Level 2) (unaudited) RMB'000	Significant unobservable inputs (Level 3) (unaudited) RMB'000	Total (unaudited) RMB'000
Long-term receivables	—	—	79,289	79,289

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (audited) RMB'000	Significant observable inputs (Level 2) (audited) RMB'000	Significant unobservable inputs (Level 3) (audited) RMB'000	Total (audited) RMB'000
Long-term receivables	—	—	—	—

22. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (unaudited) RMB'000	Significant observable inputs (Level 2) (unaudited) RMB'000	Significant unobservable inputs (Level 3) (unaudited) RMB'000	Total (unaudited) RMB'000
Interest-bearing bank borrowings	—	3,641,872	—	3,641,872
Financial liability included in other liabilities	—	4,621	—	4,621
	—	3,646,493	—	3,646,493

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (audited) RMB'000	Significant observable inputs (Level 2) (audited) RMB'000	Significant unobservable inputs (Level 3) (audited) RMB'000	Total (audited) RMB'000
Interest-bearing bank borrowings	—	405,000	—	405,000

During the six months ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (for the six months ended 30 June 2015: nil).

23. Events after the reporting period

Until the approval date of the unaudited interim condensed consolidated financial statements, no material subsequent events of the Group were subject to disclosure.

24. Approval of issuance of the unaudited interim condensed consolidated financial statements

The unaudited interim condensed consolidated financial statements have been authorised for issuance by the board of directors on 22 August 2016.

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3SBIO INC.