三生制药
3SBIO INC.

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

2020
Interim Report

Contents

Company Overview

3SBio Inc. (the "**Company**" or "**3SBio**", with its subsidiaries collectively, the "**Group**") is a leading biotechnology company in the People's Republic of China (the"**PRC**"). As a pioneer in the Chinese biotechnology industry, the Group has extensive expertise in researching and developing, manufacturing and marketing biopharmaceuticals. The core products of the Group include TPIAO (特比澳), Yisaipu (益賽普), and recombinant human erythropoietin ("**rhEPO**") products EPIAO (益比奥) and SEPO (賽博爾). All four products are market leaders in Mainland China[1]. TPIAO is the only commercialized recombinant human thrombopoietin ("**rhTPO**") product in the world. According to IQVIA[2], the market share in the treatment of thrombocytopenia, in terms of sales value, of TPIAO in Mainland China was 72.8% in the first half of 2020. Yisaipu is a Tumour Necrosis Factor ("**TNF**") α inhibitor product with a continuing dominant share in the Mainland China TNF α market of 54.5% in the first half of 2020. With its two rhEPO products, the Group has been the premier market leader in the rhEPO market in Mainland China for nearly two decades, holding a total rhEPO market share of 41.2% in the first half of 2020. The Group has been expanding its therapeutic coverage by adding products through internal research and development ("**R&D**") and various external strategic partnerships.

As at 30 June 2020, amongst the 32 product candidates within the Group's active pipeline, 22 were being developed as National New Drugs in Mainland China. The Group has 11 product candidates in oncology; 12 product candidates that target auto-immune diseases including rheumatoid arthritis ("**RA**"), and other diseases including refractory gout and ophthalmological diseases such as age-related macular degeneration ("**AMD**"); six product candidates in nephrology; two product candidates in the metabolic area that target type 2 diabetes; and one product candidate in dermatology. A total of 23 of the 32 product candidates are biologics, and the other nine are small molecules.

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

The Group is well positioned for global expansion. Outside of Mainland China, TPIAO has been approved in eight countries; Yisaipu has been approved in 15 countries; and EPIAO has been approved in 22 countries. In the long term, the Group aims to market its products in developed countries. Furthermore, the Group is collaborating with international partners to develop and market the Group's product candidates, such as pegsiticase. The Group aims to focus its R&D to provide innovative therapeutics for patients in Mainland China and globally.

As at 30 June 2020, the Group had operation facilities in Shenyang, Shanghai, Hangzhou and Shenzhen, all in Mainland China, as well as in Como, Italy, with over 5,400 employees. The Group's pharmaceutical products are marketed and sold in all provinces, autonomous regions and special municipalities in Mainland China, as well as a number of foreign countries and regions. During the six months ended 30 June 2020 (the "**Reporting Period**"), the Group's nationwide sales and distribution network enabled it to sell its products to over 17,000 hospitals and medical institutions in Mainland China.

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1 Hereinafter referred to as the mainland area of the PRC.

2 Formerly IMS Health Inc. All market share information throughout this report cites the IQVIA data, unless otherwise noted.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Ms. SU Dongmei

Non-executive Directors

Mr. HUANG Bin

Mr. TANG Ke (appointed on 10 February 2020)

Mr. LIU Dong (resigned on 10 February 2020)

Independent Non-executive Directors

Mr. PU Tianruo

Mr. David Ross PARKINSON

Dr. WONG Lap Yan

COMPANY SECRETARY

Ms. LEUNG Suet Wing

AUTHORIZED REPRESENTATIVES

Ms. LEUNG Suet Wing

Ms. SU Dongmei

AUDIT COMMITTEE

Mr. PU Tianruo *(Chairman)*

Mr. HUANG Bin

Dr. WONG Lap Yan

REMUNERATION COMMITTEE

Dr. WONG Lap Yan *(Chairman)*

Mr. PU Tianruo

Mr. TANG Ke (appointed on 10 February 2020)

Mr. LIU Dong (resigned on 10 February 2020)

NOMINATION COMMITTEE

Dr. LOU Jing *(Chairman)*

Mr. PU Tianruo

Dr. WONG Lap Yan

REGISTERED OFFICE (IN THE CAYMAN ISLANDS)

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTER

No. 3 A1, Road 10

Shenyang Economy and Technology Development Zone

Shenyang

People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Corporate Information

LEGAL ADVISERS

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

As to China law:
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
People's Republic of China

As to Cayman Islands law:
Conyers Dill & Pearman
SIX, 2nd Floor, Cricket Square
171 Elgin Ave, George Town, Grand Cayman
Cayman Islands

AUDITORS

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

SECURITIES CODES

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

Convertible Bonds Listing
EUR320,000,000 Zero-Coupon Convertible Bonds due 2025
The Stock Exchange of Hong Kong Limited
(Convertible Bonds Code: 40285)

COMPANY'S WEBSITE

www.3sbio.com

PRINCIPAL BANK

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

Financial Highlights

- **Revenue increased by RMB52.2 million or 2.0% to RMB2,695.2 million, as compared to the six months ended 30 June 2019.**

- **Gross profit increased by RMB32.6 million or 1.5% to RMB2,217.1 million, as compared to the six months ended 30 June 2019. The gross profit margin decreased to 82.3% from 82.7% for the six months ended 30 June 2019.**

- **Net profit attributable to owners of the parent increased by RMB381.2 million or 118.6% to RMB702.5 million, as compared to the six months ended 30 June 2019. Normalized net profit attributable to owners of the parent[3] decreased by RMB2.9 million or 0.4% to RMB749.0 million, as compared to the six months ended 30 June 2019.**

- **EBITDA increased by RMB415.2 million or 70.7% to RMB1,002.9 million, as compared to the six months ended 30 June 2019. Normalized EBITDA[4] increased by RMB31.2 million or 3.1% to RMB1,049.4 million, as compared to the six months ended 30 June 2019.**

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

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

4 The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the Euro-denominated zero-coupon convertible bonds in an aggregate principal amount of Euro ("**EUR**") 300,000,000 due 2022 (the "**2022 Bonds**"); (b) the expenses associated with the share options and share award of 3SBio; (c) the expenses associated with the awarded shares under an employee share ownership plan (the "**ESOP**") by an indirect non-wholly owned subsidiary of the Company, Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. ("**Sunshine Guojian**"); and (d) the expenses in relation to the acquisition of in-progress research and development projects.

Management Discussion and Analysis

KEY EVENTS

Repurchases and Redemption of Existing 2022 Bonds

With respect to the repurchases and redemption of the 2022 Bonds issued by Strategic International Group Limited ("**Strategic International**") and guaranteed by the Company, the following actions were undertaken:

April 2020 Repurchase

On 16 April 2020, the Company repurchased an aggregate principal amount of EUR5,000,000 in face value of the 2022 Bonds through over-the-counter market in accordance with the terms and conditions of the 2022 Bonds. The aggregate purchase price paid for this repurchase was EUR5,255,000 (including agent fee). Immediately thereafter, there were outstanding 2022 Bonds in the principal amount of EUR295,000,000.

Concurrent Repurchase

Strategic International carried out repurchases of the 2022 Bonds concurrently with the issuance of the Euro-denominated zero-coupon convertible bonds in an aggregate principal amount of EUR320,000,000 due 2025 (the "**2025 Bonds**") (the "**Concurrent Repurchase**"). Strategic International repurchased the 2022 Bonds in the aggregate principal amount of EUR104,459,000 in the Concurrent Repurchase. The repurchase price under the Concurrent Repurchase was EUR107,738.32 per EUR100,000 principal amount of the 2022 Bonds. Immediately thereafter, the aggregate principal amount of the 2022 Bonds that remained outstanding became EUR190,541,000.

Exercise of Put Option by Bondholders

Pursuant to the terms and conditions of the 2022 Bonds, the holder(s) of the 2022 Bonds have the right to require Strategic International to redeem all or some of the 2022 Bonds of such holder(s) on 21 July 2020 by depositing a duly completed and signed notice of redemption (the "**Optional Put Exercise Notice**") no later than 21 June 2020. As at 21 June 2020, Strategic International had received Optional Put Exercise Notices in respect of EUR143,561,000 in aggregate principal amount of the 2022 Bonds (the "**Put Bonds**"). The Put Bonds have been redeemed by Strategic International on 21 July 2020.

Following the redemption and cancellation of the Put Bonds, there were 2022 Bonds in the principal amount of EUR850,000 outstanding.

Exercise of Clean-Up Call Option

Pursuant to the terms and conditions of the 2022 Bonds, Strategic International has the right to redeem all and not some of the 2022 Bonds upon notice if less than EUR30,000,000 principal amount of the 2022 Bonds (i.e. 10% of the principal amount of the 2022 Bonds originally issued) remain outstanding. Strategic International has given notice to exercise such right to redeem all of the outstanding 2022 Bonds in the principal amount of EUR850,000. All outstanding 2022 Bonds were redeemed on 27 August 2020. Accordingly, the 2022 Bonds were delisted from The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") upon the close of business on 4 September 2020.

For more information regarding the repurchases and redemption of the existing 2022 Bonds, please refer to the announcements of the Company dated 20 April 2020, 17 June 2020, 18 June 2020, 29 June 2020 and 28 August 2020.

New 2025 Bonds Issue

As announced on 29 June 2020, Strategic International successfully completed the issuance of the 2025 Bonds, which was guaranteed by the Company, to institutional investors. The listing of, and permission to deal in, the 2025 Bonds on the Stock Exchange became effective on 30 June 2020.

As announced on 17 June 2020, the initial Conversion Price[1] of the 2025 Bonds is HK$13.1750 per Conversion Share[2], which represents (i) a premium of approximately 25% over the closing price of HK$10.54 per Share[3] as quoted on the Stock Exchange on 17 June 2020 (being the trading day on which the subscription agreement for the 2025 Bonds was entered into) and (ii) a premium of approximately 31.72% over the average closing price of approximately HK$10.0020 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 17 June 2020. For more details on the issuance of the 2025 Bonds, please refer to the section headed "Convertible Bonds" for more details.

1 "**Conversion Price**" refers to the price per Conversion Share (as defined in footnote 2), subject to adjustments, at which the 2025 Bonds may be converted into the Conversion Shares.

2 "**Conversion Share(s)**" refer to the Share(s) (as defined in footnote 3) to be issued by the Company upon conversion of the 2025 Bonds pursuant to the trust deed and the terms and conditions that govern the 2025 Bonds.

3 "**Share(s)**" refer to ordinary share(s) in the share capital of the Company with a par value of United States Dollar ("**USD**") 0.00001 each.

Management Discussion and Analysis

Key Events after the Reporting Period

Spin-Off And Separate Listing of Sunshine Guojian

The listing of and dealings in the ordinary shares of Sunshine Guojian on the Science and Technology Innovation Board (the "**STAR Market**") of the Shanghai Stock Exchange (the "**SSE**") commenced on 22 July 2020, and Sunshine Guojian issued a total of 61,621,142 shares for subscription on the STAR Market (the "**Offering**"), representing approximately 10% of its total issued shares immediately prior to the Offering. As a result of the spin-off listing and the Offering, the Company's equity interest in Sunshine Guojian was reduced from approximately 89.96% to approximately 80.96%, and Sunshine Guojian remains as a subsidiary of the Company.

Pursuant to the Offering, the offer price was RMB28.18 per share, which was determined with references to the historical financial performance and business prospects of Sunshine Guojian, its market-leading position and the prevailing market conditions of the STAR Market. Sunshine Guojian received total proceeds of RMB1,736,483,781.56 from the Offering. Such proceeds are expected to fund the principal business activities of Sunshine Guojian and its general working capital, as well as to pay for expenses of the Offering.

For more information regarding the listing of Sunshine Guojian, please refer to the announcements of the Company dated 31 October 2019, 24 June 2020, 9 July 2020 and 22 July 2020, as well as the Company's annual report dated 29 April 2020 under the heading "Proposed Spin-off of Sunshine Guojian".

Product Developments

As announced on 19 August 2020, the Group has obtained approval from the PRC National Medical Products Administration ("**NMPA**") to launch the nadroparin calcium injection (RD02) which is self-developed by the Group.

As announced on 26 August 2020, the Group has also obtained the acceptance by the NMPA of the Marketing Authorization Application for Ampholipad™, which is the complex generic of Gilead's AmBisome® (amphotericin B liposome for injection) of TLC used for the treatment of systemic fungal infections. TLC is a clinical-stage specialty pharmaceutical company dually listed on NASDAQ and the Taiwan OTC Exchange (NASDAQ: TLC, TWO: 4152) and is a collaboration partner of the Company. The Company will commercialize the product in Mainland China.

As announced on 14 September 2020, the NMPA has accepted the Group's investigational new drug ("**IND**") application for bevacizumab biosimilar SB8 (the Company's development code: 615) in Mainland China.

BUSINESS REVIEW

Key Products

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

TPIAO is listed on the 2019 National Reimbursement Drug List ("**NRDL**") as a Class B Drug ("Western Medicine" Section No. 234) for the treatment of severe CIT in patients with solid tumors or ITP. According to "Chinese Expert Consensus on Prevention and Treatment of CIT in Malignant Lymphoma"[4], rhTPO is one of the treatments for lymphoma CIT. According to "The Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in China"[5], rhTPO is the first choice recommendation for boosting platelet production. According to "The Expert Consensus for Diagnosis and Treatment of Thrombocytopenia in Adult Critical Illness in China"[6], TPO can be used to treat myelosuppressive thrombocytopenia. In "Consensus on the Clinical Diagnosis, Treatment, and Prevention of Chemotherapy-Induced Thrombocytopenia in China (2019 version)"[7], rhTPO is one of the primary treatments for CIT. In "The Chinese Guidelines for Treatment of Adult Primary Immune Thrombocytopenia", published in International Journal of Hematology in April 2018, rhTPO was included as the first choice recommendation for the second line treatments list. In "The CSCO Guidelines — Soft Tissue Sarcoma (2019)", rhTPO is a primary treatment strategy for thrombocytopenia accompanying treating soft tissue sarcoma. rhTPO has also received similar professional endorsements in several national guidelines and experts consensus on treating certain other diseases in Mainland China, including conventional osteosarcoma and certain off-label uses.

TPIAO has experienced significant sales growth due to increasing physician awareness of its safety and efficacy as a treatment for CIT and ITP and its quick adoption in Mainland China. The Group believes that TPIAO is still at an early stage of its product life cycle. The Group estimates that its penetration rates for both CIT and ITP indications in Mainland China are in the range of approximately 23% to 30%. Currently, the majority of the Group's sales of TPIAO is generated from approximately 13% of the hospitals covered by the Group's sales team. In the first half of 2020, its market share for the treatment of thrombocytopenia in Mainland China, in terms of sales volume, was 25.5%; and, in terms of sales value, was 72.8%. The Group has started a phase III clinical trial of TPIAO in the pediatric ITP indication. Patient enrollment is ongoing. A phase I clinical trial for TPIAO in surgery patients with hepatic dysfunction at the risk of thrombocytopenia has been completed, and the Group is planning to initiate the phase II trials soon. Outside of Mainland China, TPIAO has been approved in eight countries, including Ukraine, the Philippines and Thailand.

Yisaipu, generically known as etanercept, is a TNFα inhibitor product. It was first launched in 2005 in Mainland China for RA. Its indications were expanded to ankylosing spondylitis ("**AS**") and psoriasis in 2007. The Group actively participated in the development of "The 2018 China Rheumatoid Arthritis Treatment Guidance" (the "**China RA Guidance**"), an authoritative document issued by the China Medical Association. Yisaipu was adopted in the China RA Guidance under 'TNFα inhibitors' as one of the RA treatment options, and this China RA Guidance deemed TNFα inhibitors as a group of biological agents with relatively sufficient evidence and relatively wide adoption in treating RA. Yisaipu is listed in the 2019 NRDL as a Class B Drug ("Western Medicine" Section No. 857) for the treatment of patients with confirmed diagnosis of RA and for the treatment of patients with confirmed diagnosis of AS (excluding pre-radiographic axial spondyloarthritis), each subject to certain medical

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

[5] Issued by Chinese Society of Internal Medicine, Chinese Medical Association in July 2020

[6] Issued by Critical Care Medicine Committee of Chinese PLA and Chinese Society of Laboratory Medicine, Chinese Medical Association in 2020

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

prerequisites, and for the treatment of adult patients with severe plaque psoriasis. Yisaipu is the first-to-market etanercept product in Mainland China, with a dominant TNF α market share in Mainland China of 54.5% in the first half of 2020. The sales coverage of Yisaipu extended to more than 3,000 hospitals in Mainland China, including over 1,500 Grade III hospitals in the first half of 2020. The Group believes that Yisaipu is still at an early stage of its product life cycle. The Group estimates that its penetration rates for RA and AS in Mainland China are in the range of approximately 5% to 9%. Currently, the majority of the Group's sales of Yisaipu is generated from approximately 12% of the hospitals covered by the Group's sales team. The Group completed the Phase III trial for pre-filled aqueous injection solution of Yisaipu and submitted the application for manufacturing approval in July 2019. The application was accepted for review by the NMPA. Yisaipu aqueous injection solution is the first self-developed pre-filled fusion protein injection solution in Mainland China. The Group is of the view that the pre-filled aqueous injection solution of Yisaipu will improve convenience and compliance for patients, and contribute to further growth of Yisaipu. Outside of Mainland China, Yisaipu has been approved in 15 countries, including Colombia, Thailand, the Philippines, and Pakistan.

EPIAO is still the only rhEPO product approved by the NMPA for the following three indications: the treatment of anemia associated with chronic kidney disease ("**CKD**"), the treatment of chemotherapy-induced anemia ("**CIA**") and the reduction of allogeneic blood transfusion in surgery patients. EPIAO has been listed in the NRDL as a Class B Drug for renal anemia since 2000, and, additionally in 2019 NRDL, for CIA in patients with non-hematological malignancies. EPIAO has also been listed in the 2018 National Essential Drug List. EPIAO has consistently been the premier market leader in Mainland China rhEPO market since 2002 in terms of both sales volume and value. EPIAO is the only rhEPO product in Mainland China available at 36,000 IU (international unit per vial) dosage, and together with SEPO, claim the majority of Mainland China rhEPO market share at 10,000 IU dosage. Future growth for EPIAO is expected to be driven by: (1) the increase of the dialysis penetration rate among stages IV and V CKD patients, which the Group believes is substantially lower in Mainland China as compared with other countries; and (2) the increase in the applications of EPIAO in CIA oncology indication and in reducing allogeneic blood transfusion in Mainland China, which the Group believes is at a very early stage of growth. The 2019 NRDL addition of a CIA oncology indication validates the growth potential of EPIAO as well as the Group's assessment. With contribution from the second brand of the Group's rhEPO products, SEPO, market coverage of the Group's rhEPO products has expanded in Grade II and Grade I hospitals in Mainland China. The Group expects that SEPO will continue to gain market share in the rhEPO market in Mainland China. The Group has initiated patient enrollment in phase II clinical trials on NuPIAO (SSS06), a second-generation rhEPO to treat anemia. The Group has initiated patient enrollment in phase II clinical trials of RD001, a pegylated long-acting rhEPO to treat anemia. Outside of Mainland China, EPIAO has been approved in 22 countries, including Ukraine, Thailand and Pakistan. The multi-center biosimilar clinical trials for EPIAO in Russia and Thailand have made good progress, and patient recruitment were completed by the end of 2019. The trial is expected to complete in 2021.

Cipterbin® (Inetetamab) is the first innovative anti-HER2 monoclonal antibody in China with the engineered Fc region, optimized production process and a stronger antibody-dependent cell-mediated cytotoxicity ("**ADCC**") effect. It is approved by the NMPA on 19 June 2020 for the treatment of HER2-positive metastatic breast cancer combining with chemotherapy, as proved to be capable of delaying the disease progression for and bringing survival benefits to HER2-positive metastatic breast cancer patients. Sunshine Guojian independently developed this product based on its proprietary technology platform.

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

Mandi (蔓迪), generically known as minoxidil tincture, was launched in 2002 as the first over-the-counter (OTC) drug in Mainland China for male pattern alopecia and alopecia areata ("**AA**"). In "Guideline for Diagnosis and Treatment of Androgenetic Alopecia" (issued by Chinese Medical Doctor Association), minoxidil is the only recommended topical drug for androgenetic alopecia. In "Guideline for diagnosis and treatment of AA (2019)" (issued by Chinese Medical Association), minoxidil is one of the topical treatments for AA. The Group has started a phase III clinical trial of minoxidil in foam form, which is expected to be completed in 2021. If approved, Mandi will likely be the only minoxidil foam in the Mainland China market.

Research and Development

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

The Group focuses its R&D efforts on researching and developing innovative biological products as well as in small molecule therapeutics. Currently, the Group has several leading biological products in various stages of clinical development, including 302H (an anti-HER2 antibody to treat metastatic breast cancer), 304R (an anti-CD20 antibody to treat Non-Hodgkin's lymphoma and other autoimmune diseases), 301S (the pre-filled aqueous injection solution of Yisaipu), SSS06 (NuPIAO, a second-generation rhEPO to treat anemia), RD001 (a pegylated long-acting rhEPO to treat anemia), SSS07 (an anti-TNF α antibody to treat RA and other inflammatory diseases), pegsiticase (a modified pegylated recombinant uricase from candida utilis to treat refractory gout), 601A (an anti-VEGF antibody to treat AMD and other ophthalmological diseases), 602 (an anti-epidermal growth factor receptor ("**EGFR**") antibody to treat cancer), 608 (an anti-interleukin ("**IL**")-17A antibody to treat autoimmune and other inflammatory diseases), 609A (an anti-programmed cell death protein 1 ("**PD1**") antibody to treat cancer), 610 (an anti-IL-5 antibody to treat severe asthma), and 611 (an anti-IL4Ra antibody to treat atopic dermatitis). On the small molecule side, the Group is conducting clinical trials of two innovative products: nalfurafine hydrochloride (TRK-820, a highly selective kappa receptor agonist) to treat pruritus in hemodialysis patients, and HIF-117 capsule (SSS17, a selective small molecule inhibitor to hypoxia inducible factor proline hydroxylase) to treat anemia. In addition, the Group is performing bio-equivalency studies of a number of generic small molecule products in the field of nephrology, autoimmune and dermatological diseases.

On the research front, the Group is developing a panel of novel biological products, including monoclonal antibodies ("**mAb**"), bi-specific antibodies and fusion proteins, and a number of small molecule drugs, both innovative and generic, in the areas of oncology, autoimmune and inflammatory diseases, nephrology, metabolic and dermatological diseases.

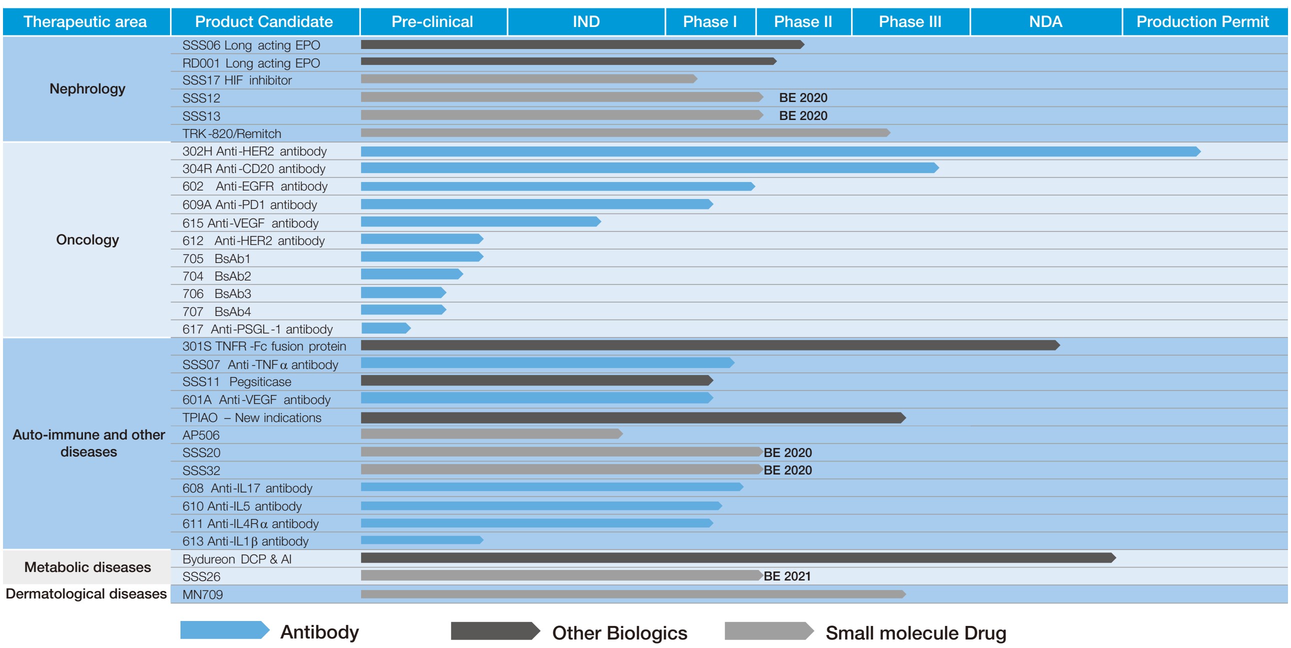
The Group's R&D team consisting of over 420 experienced scientists is working diligently to research and discover new medicines, to accelerate the progress of clinical development, and to bring breakthrough therapies to fulfill the unmet medical needs of patients.

Product Pipeline

As at 30 June 2020, amongst the 32 product candidates within the Group's active pipeline, 22 were being developed as National New Drugs in Mainland China. The Group has 11 product candidates in oncology; 12 product candidates that target auto-immune diseases including RA, and other diseases including refractory gout and ophthalmological diseases such as AMD; six product candidates in nephrology; two product candidates in the metabolic area that target type 2 diabetes; and one product candidate in dermatology. A total of 23 of the 32 product candidates are biologics, and the other nine are small molecules.

Robust and Innovative Product Pipeline

32 product candidates, with 22 developed as National New Drugs



Key Product Developments

As announced on 25 February 2020, the Group has received an IND approval from the NMPA to conduct clinical trials of an anti-IL-5 antibody (the Company's development code: 610) in patients with severe eosinophilic asthma. Patient enrollment has been initiated.

As announced on 19 June 2020, the anti-HER2 antibody for injection, Inetetamab (commercial name: Cipterbin®/賽普汀®) has been approved by the NMPA for treatment of HER2-positive metastatic breast cancer combining with chemotherapy. Sunshine Guojian independently developed this product based on its proprietary technology platform, and this product is Mainland China's first innovative anti-HER2 monoclonal antibody with engineered Fc region and optimized production process and stronger ADCC effect. Cipterbin® being a project under Mainland China's national 863 Program, and being a National Major Scientific and Technological Special Project for "Significant New Drugs Development" as well as a key Shanghai Municipal Science and Technological Project, its approval is expected to serve the unmet medical need of breast cancer patients in Mainland China, break the monopoly of imported drugs for anti-HER2 monoclonal antibody and enhance the accessibility of national innovative drugs, thereby benefitting more patients in Mainland China.

As announced on 28 June 2020, the humanized monoclonal antibody against IL 4 receptor alpha (IL-4Rα) (the Company's development code: 611) independently developed by Sunshine Guojian was approved by the U.S. Food and Drug Administration ("**USFDA**") for clinical trials for the treatment of patients with atopic dermatitis (eczema). 3SBio will conduct its clinical trials in the United States as soon as possible. In addition, the application for its domestic clinical trials has also recently been accepted by the NMPA.

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

The Group has completed a phase I head-to-head trial comparing 304R (Jiantuoxi, an anti-CD20 antibody) with rituximab (Rituxan®) in non-Hodgkin's lymphoma patients with zero tumor burden, with major endpoints of safety and pharmacokinetics. The data is being analyzed, and study report will be finalized soon.

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

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

The Group has completed a dose-escalating phase I safety and pharmacokinetics study on RD001 in healthy volunteers, and has initiated patient enrollment in phase II clinical trials in anemic patients.

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

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

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

The Group has completed patient enrollment for the phase I clinical trial of its anti-VEGF antibody (601A) to treat AMD. Patient enrollment for the phase I clinical trial of 601A to treat DME is proceeding smoothly.

The Group has completed healthy volunteer subject enrollment of a phase I trial of the anti-IL-17A antibody (the Company's development code: 608), and is planning for phase II trials in patients with moderate to severe plaque psoriasis and other inflammatory diseases.

The Group has completed patient enrollment in a US phase I trial of its anti-PD1 antibody (Company development code: 609A) in patients with various cancers. Patient enrollment in a phase I trial in China has been initiated. The Group is currently planning for advanced clinical trials for the product.

The Group has completed the part I study of a bridging phase III trial of nalfurafine hydrochloride (TRK-820, known as "REMITCH" as approved in Japan), an in-licensed product from Toray, to treat pruritus in hemodialysis patients. TRK-820 is a highly selective κ (kappa)-opioid receptor agonist marketed in Japan since 2009 to treat pruritus in patients with chronic kidney and liver diseases. Patient enrollment for the part 2 study is expected to start soon.

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

Sales, Marketing and Distribution

The Group's sales and marketing efforts are characterized by a strong emphasis on academic promotion. The Group aims to promote and strengthen the Group's academic recognition and the brand awareness of its products among medical experts. The Group markets and promotes its key products mainly through its in-house team. The Group sells these products to distributors who are responsible for delivering products to hospitals and other medical institutions. The Group relies on third-party promoters to market certain products.

As at 30 June 2020, the Group's extensive sales and distribution network in Mainland China was supported by approximately 3,378 sales and marketing employees, 668 distributors and 2,124 third-party promoters. As at 30 June 2020, the Group's sales team covered over 2,500 Grade III hospitals and over 14,000 Grade II or lower hospitals and medical institutions, reaching all provinces, autonomous regions and special municipalities in Mainland China. In addition, TPIAO, Yisaipu, EPIAO, SEPO and some of the Group's other products are exported to a number of countries through international promoters.

Outlook

In 2020, the reform of the pharmaceutical sector in Mainland China became more comprehensive in all aspects. The reform continues to promote industry integration and reorganization revolving on innovative drugs, and at the same time aims at the quality enhancement of generic drugs. Market competition will be more regulated; the centralized procurement system will become more robust. A further differentiation among innovative pharmaceutical companies will gradually ensue, and pursuing greater sales volumes based on the new price regime will be the necessary choice of all companies. Policies will be more supportive of innovative drugs and drugs with urgent clinical needs, indicating accelerated approval timeline and greater chance for such drugs to be included in the NRDL.

The R&D standard has been raised, which promotes better product quality. The acceptance of overseas clinical trial data will help bring in more innovative drugs to address unmet medical needs in Mainland China. The improved living standards and the accelerated-aging population will demand more high quality healthcare products.

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

Medical reform policies now confront greater challenges and difficulties. After the introduction of a new series of policies, the domestic pharmaceutical industry is also at the crossroad of a new round of development. Amid the outbreak of the COVID-19 pandemic, the Group has its core products as its moat, and plans to enhance the accessibility of marketed products by further penetrating hospitals that have already been covered by the marketing team of the Group and new hospitals to be covered, and continuously conducting academic promotions for medical experts. The Group will continue to utilize its R&D outputs to create solid production patents and technology barriers, and with the combination of its strong marketing team, the deepening of collaboration with leading international pharmaceutical companies, and the continued efforts to enhance business structures, all these factors will contribute to the future success of the Group. Under the adjustment of the current medical reform policies, innovative R&D is of high significance, and maintaining a solid performance is also crucial amid the COVID-19 pandemic outbreak. The Group focuses on innovative bio-pharmaceutical drugs within five core areas. By adhering to the principle of "R&D + production + sales + external collaboration", the Group will endeavor a soft landing amidst major impacts, and leverage its structurized competitive advantages so as to achieve stable growth under different metrics, including revenues and profits.

The Group has consistently pursued innovation and technology excellence. Its rich pipeline now includes 32 candidates, with 22 candidates being developed as National New Drugs. The Group will continue to focus its resources on core therapeutical areas including oncology, autoimmune diseases, and nephrology. The Group focuses on researching and developing next generation bio-therapeutics, including programmed CAR-T cell therapeutics, immune checkpoint inhibitors, macrophage checkpoint modulators, bi-specific antibodies and other innovative antibody molecules, antibodies to novel targets, and various combination therapies based on the Group's comprehensive antibody pipeline. The Group will continue to build up its in-house clinical development capacity and advance its integrative research capability on a highly focused basis.

The Group positions itself in innovative drugs, and through strategic development has achieved transformation and ascension to a global leading first-tier pharmaceutical company based in Mainland China. In the first half of the year, the Group screened various projects, and endeavored to extend external strategic partnerships so as to continuously bring in products that have market potential, and are in line with the Group's direction and create synergy with the existing product pipeline. This allows the Group to expand its product portfolio in core therapeutical areas, and to give overall consideration on future globalization strategy. The strategic collaborations with companies such as AstraZeneca, Lilly, Toray, Samsung Bioepis, Refuge Biotechnologies, Verseau, TLC, Numab, GenSight, Sensorion and MPM affirm the Group as a partner of choice to leading pharmaceutical companies around the world, and will serve as stepping stones for future strategic collaborations. The Group is growing its international sales through registration of existing products in new countries and development of new products in highly regulated markets.

The outbreak of the COVID-19 pandemic in 2020 has confronted businesses with immeasurable uncertainties, risks and challenges. In the first half of 2020, work resumption was delayed, transportation was affected, and flow of goods and people and hospital visits were highly restricted, all of which impacted the Group's operations. In response, the Group closely monitored and analyzed risks, maintained focus and reduced expenses to maintain strong cash flows for security in the face of the outbreak and sustain stable performance to minimize the impacts. While fully cognizant of and calling attention to the uncertainties, the Group holds cautious confidence that stable growth may be sustained throughout the year.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group's revenue amounted to approximately RMB2,695.2 million, as compared to approximately RMB2,642.9 million for the six months ended 30 June 2019, representing an increase of approximately RMB52.2 million, or approximately 2.0%. The limited increase was mainly due to the outbreak of COVID-19 pandemic in early 2020 which had a negative impact on the sales growth of the Group's products.

For the six months ended 30 June 2020, the Group's sales of TPIAO increased to approximately RMB1,374.7 million, as compared to approximately RMB1,193.6 million for the six months ended 30 June 2019, representing an increase of approximately RMB181.1 million, or approximately 15.2%. The increase was primarily attributable to an increase in sales volume. For the six months ended 30 June 2020, sales of TPIAO accounted for approximately 50.8% of the Group's total sales of goods. Sales of TPIAO was not severely affected by the outbreak of COVID-19 pandemic mainly due to the inelastic nature of the medical need of its target patients.

For the six months ended 30 June 2020, the Group's sales of Yisaipu decreased to approximately RMB331.1 million, as compared to approximately RMB501.0 million for the six months ended 30 June 2019, representing a decrease of approximately RMB169.9 million, or approximately 33.9%. Such decrease was attributable to the intensifying competition in the market and the treatment of RA, a chronic illness, being more susceptible to the impact of COVID-19 pandemic. For the six months ended 30 June 2020, the sales of Yisaipu accounted for approximately 12.2% of the Group's total sales of goods.

For the six months ended 30 June 2020, the Group's sales of EPIAO and SEPO increased to approximately RMB462.1 million, as compared to approximately RMB451.7 million for the six months ended 30 June 2019, representing an increase of approximately RMB10.4 million, or approximately 2.3%. The increase was primarily attributable to an increase in sales volume. For the six months ended 30 June 2020, the Group's sales of EPIAO increased to approximately RMB350.7 million, as compared to approximately RMB336.1 million for the six months ended 30 June 2019, representing an increase of approximately RMB14.7 million, or approximately 4.4%. For the six months ended 30 June 2020, the Group's sales of SEPO decreased to approximately RMB111.4 million, as compared to approximately RMB115.7 million for the six months ended 30 June 2019, representing a decrease of approximately RMB4.3 million, or approximately 3.7%. For the six months ended 30 June 2020, the sales of EPIAO and SEPO accounted for a total of approximately 17.1% of the Group's total sales of goods.

For the six months ended 30 June 2020, the Group's sales of small molecule therapeutics were approximately RMB260.5 million, as compared to approximately RMB252.2 million for the six months ended 30 June 2019, representing an increase of approximately RMB8.3 million, or approximately 3.3%. The increase was mainly attributable to the increased sales volume of Sparin and Mandi. For the six months ended 30 June 2020, the Group's sales of Mandi increased to approximately RMB128.8 million, as compared to approximately RMB107.6 million for the six months ended 30 June 2019, representing an increase of approximately RMB21.2 million, or approximately 19.7%. The increase was mainly attributable to the increased market demand for hair loss and growth treatments, which was driven by the Group's diversified and effective promotional efforts. For the six months ended 30 June 2020, the sales of small molecule therapeutics accounted for a total of approximately 9.6% of the Group's total sales of goods.

For the six months ended 30 June 2020, the Group's export sales increased to approximately RMB35.9 million, as compared to approximately RMB32.0 million for the six months ended 30 June 2019, representing an increase of approximately RMB3.9 million, or approximately 12.3%. The increase was mainly attributable to the increased export sales of materials for clinical trials to Selecta.

For the six months ended 30 June 2020, the Group's other sales, primarily consisted of sales from license-in products and contract manufacturing income from Sirton Pharmaceuticals S.p.A. ("**Sirton**"), a wholly-owned subsidiary of the Company, and other subsidiaries of the Group, increased to approximately RMB243.1 million, as compared to approximately RMB224.7 million for the six months ended 30 June 2019, representing an increase of approximately RMB18.4 million, or approximately 8.2%. The increase was mainly attributable to the increased sales volume of license-in products and the launch of Cipterbin® in June 2020.

Cost of Sales

The Group's cost of sales increased from approximately RMB458.4 million for the six months ended 30 June 2019 to approximately RMB478.1 million for the six months ended 30 June 2020, which accounted for approximately 17.7% of the Group's total revenue for the same period. The primary reason for the increase in the Group's cost of sales was the increased sales volume for the six months ended 30 June 2020, as compared to the corresponding period in 2019.

Gross Profit

For the six months ended 30 June 2020, the Group's gross profit increased to approximately RMB2,217.1 million, as compared to approximately RMB2,184.5 million for the six months ended 30 June 2019, representing an increase of approximately RMB32.6 million, or approximately 1.5%. The slight increase in the Group's gross profit was broadly in line with its revenue growth during the period. The Group's gross profit margin decreased to approximately 82.3% for the six months ended 30 June 2020 from approximately 82.7% for the corresponding period in 2019. The decrease was mainly due to the increased cost of raw materials for some products and product portfolio.

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 2020, the Group's other income and gains increased to approximately RMB96.8 million, as compared to approximately RMB68.1 million for the six months ended 30 June 2019, representing an increase of approximately RMB28.6 million, or approximately 42.0%. The increase was mainly attributable to the increase in government grants and interest income of treasury or cash management products.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consisted of marketing and promotion expenses, staff costs, transportation expenses and other miscellaneous selling and distribution expenses. For the six months ended 30 June 2020, the Group's selling and distribution expenses amounted to approximately RMB972.3 million, as compared to approximately RMB999.0 million for the six months ended 30 June 2019, representing a decrease of approximately RMB26.8 million, or approximately 2.7%. The decrease was mainly attributable to the outbreak of COVID-19 pandemic which had a negative impact on promotional marketing activities, such as travels and academic promotion conferences. In terms of the percentage of revenue, the Group's selling and distribution expenses decreased from approximately 37.8% for the six months ended 30 June 2019 to approximately 36.1% for the six months ended 30 June 2020.

Administrative Expenses

The Group's administrative expenses consisted of staff costs, professional fees, depreciation and amortization, property expenses, share-based compensation, and other miscellaneous administrative expenses. For the six months ended 30 June 2020, the Group's administrative expenses amounted to approximately RMB148.8 million, as compared to approximately RMB481.0 million for the six months ended 30 June 2019, representing a decrease of approximately RMB332.2 million, or approximately 69.1%. The decrease was mainly due to the effects of the expenses associated with the share options and share award of the Company and the ESOP of Sunshine Guojian. Had the effects of the non-recurring items been excluded, the administrative expenses for the six months ended 30 June 2020 would have been approximately RMB138.5 million, as compared to approximately RMB140.5 million for the six months ended 30 June 2019, representing a decrease of approximately RMB2.0 million, or approximately 1.4%, which was relatively stable as compared to the corresponding period in 2019. The administrative expenses (excluding the aforementioned non-recurring items) as a percentage of revenue was approximately 5.1% for the six months ended 30 June 2020 and approximately 5.3% for the six months ended 30 June 2019, respectively.

R&D Costs

The Group's R&D costs primarily consisted of staff costs, materials consumption, clinical trials costs, depreciation and amortisation, and other miscellaneous R&D expenses. For the six months ended 30 June 2020, the Group's R&D costs amounted to approximately RMB254.3 million, as compared to approximately RMB263.9 million for the six months ended 30 June 2019, representing a slight decrease of approximately RMB9.5 million, or approximately 3.6%. The decrease was mainly due to the one-off expenses of RMB54.2 million incurred in 2019 in relation to the acquisition of in-progress R&D projects. Had the effects of the non-recurring items been excluded, the R&D costs for the six months ended 30 June 2019 would have been approximately RMB209.6 million, representing an increase of approximately RMB44.7 million, or approximately 21.3%, which was driven by the accelerated progress of the Group's product pipeline. The R&D costs accounted for approximately 9.4% of revenue for the six months ended 30 June 2020, as compared to approximately 10.0% for the corresponding period in 2019.

Other Expenses and Losses

The Group's other expenses and losses primarily consisted of donation expenses. For the six months ended 30 June 2020, the Group's other expenses and losses amounted to approximately RMB58.3 million, as compared to approximately RMB54.7 million for the six months ended 30 June 2019, representing an increase of approximately RMB3.6 million, or approximately 6.5%.

Finance Costs

For the six months ended 30 June 2020, the Group's finance costs amounted to approximately RMB43.6 million, as compared to approximately RMB48.2 million for the six months ended 30 June 2019, representing a decrease of approximately RMB4.5 million, or approximately 9.4%. The decrease was mainly due to the lower interest rate of bank borrowings during the six months ended 30 June 2020. Excluding the non-cash interest expenses of the 2022 Bonds, the finance cost decreased from RMB12.3 million for the six months ended 30 June 2019 to approximately RMB7.3 million for the six months ended 30 June 2020, representing a decrease of approximately RMB5.0 million, or approximately 40.5%.

Income Tax Expense

For the six months ended 30 June 2020, the Group's income tax expense amounted to approximately RMB132.8 million, as compared to approximately RMB95.4 million for the six months ended 30 June 2019, representing an increase of approximately RMB37.4 million, or approximately 39.3%. The increase was mainly due to the increase of the taxable income during the six months ended 30 June 2020, as compared to the corresponding period in 2019. The effective tax rates for the six months ended 30 June 2020 and the corresponding period in 2019 were 16.2% and 23.5%, respectively. The decrease in effective tax rate was mainly due to the increase in deductible expenses and losses for the six months ended 30 June 2020, as compared to those for the six months ended 30 June 2019.

EBITDA and Net Profit Attributable to Owners of the Parent

The EBITDA for the six months ended 30 June 2020 increased by approximately RMB415.2 million or approximately 70.7% to approximately RMB1,002.9 million, as compared to approximately RMB587.7 million for the six months ended 30 June 2019. The normalized EBITDA is defined as the EBITDA for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the 2022 Bonds; (b) the expenses associated with the share options and share award by the Company; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; and (d) the expenses in relation to the acquisition of in-progress research and development projects. The Group's normalized EBITDA for the six months ended 30 June 2020 increased by approximately RMB31.2 million or approximately 3.1% to approximately RMB1,049.4 million, as compared to approximately RMB1,018.3 million for the six months ended 30 June 2019.

The net profit attributable to owners of the parent for the six months ended 30 June 2020 was approximately RMB702.5 million, as compared to approximately RMB321.3 million for the six months ended 30 June 2019, representing an increase of approximately RMB381.2 million, or approximately 118.6%. The increase was mainly attributable to the one-off impact of the expenses associated with the awarded shares under the ESOP of Sunshine Guojian for the six months ended 30 June 2019. The normalized net profit attributable to owners of the parent is defined as the profit for the period excluding, as applicable: (a) the interest expenses incurred in relation to the issuance of the 2022 Bonds; and (b) the expenses associated with the share options and share award by the Company; (c) the expenses associated with the awarded shares under the ESOP by Sunshine Guojian; and (d) the expenses in relation to the acquisition of in-progress research and development projects. The Group's normalized net profit attributable to owners of the parent for the six months ended 30 June 2020 was approximately RMB749.0 million, as compared to approximately RMB751.9 million for the six months ended 30 June 2019, representing a slight decrease of approximately RMB2.9 million, or approximately 0.4%.

Earnings Per Share

The basic earnings per share for the six months ended 30 June 2020 was approximately RMB0.28, as compared to approximately RMB0.13 for the six months ended 30 June 2019, representing an increase of approximately 115.4%. As in the case of the net profit attributable shares of the parent, the increase was mainly attributable to the one-off impact of the expenses associated with the awarded shares under the ESOP of Sunshine Guojian for the six months ended 30 June 2019. The calculation of the normalized basic earnings per share amount is based on the normalized net profit attributable to owners of the parent for the six months ended 30 June 2020 and the weighted average ordinary shares of the Company in issue during the Reporting Period, as adjusted to reflect the issue of ordinary shares during the Reporting Period. The normalized basic earnings per share for the six months ended 30 June 2020 was approximately RMB0.30, remaining the same as approximately RMB0.30 for the six months ended 30 June 2019.

Financial Assets Measured at Fair Value

As at 30 June 2020, financial assets measured at fair value primarily comprised the investment in treasury or cash management products issued by certain banks, the investments in listed companies and the investments in private equity funds which focus on investment in health-care industry.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group's liquidity remained strong. For the six months ended 30 June 2020, the Group's operating activities generated a net cash inflow of approximately RMB708.2 million. As at 30 June 2020, the Group's cash and bank balances were approximately RMB3,793.1 million.

Net Current Assets

As at 30 June 2020, the Group had net current assets of approximately RMB5,220.4 million, as compared to net current assets of approximately RMB2,984.5 million as at 31 December 2019. The current ratio of the Group increased from approximately 2.9 as at 31 December 2019 to approximately 4.2 as at 30 June 2020. The increase in net current assets and current ratio was mainly due to receipt of the proceeds of the issuance of the 2025 Bonds.

Funding and Treasury Policies, Borrowing and Pledge of Assets

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

As at 30 June 2020, the Group had an aggregate interest-bearing bank borrowings of approximately RMB473.5 million, as compared to approximately RMB497.2 million as at 31 December 2019. The decrease in bank borrowings primarily reflected the repayment of loans of RMB489.4 million in 2020 that was largely offset by additional bank-borrowing of RMB462.0 million. Among the short-term deposits, none was pledged to secure bank loans as at 30 June 2020.

As at 30 June 2020, the Group had convertible bonds outstanding of approximately RMB3,906.9 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing the total borrowings (excluding the 2022 Bonds) by the total equity, decreased to approximately 4.1% as at 30 June 2020 from approximately 4.8% as at 31 December 2019. The decrease was primarily due to the decrease of bank borrowings.

Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities.

Contractual Obligations

The Group's capital commitment amounted to approximately RMB1,970.1 million as at 30 June 2020, as compared to approximately RMB1,822.0 million as at 31 December 2019.

Foreign Exchange and Exchange Rate Risk

The Group mainly operates in Mainland China, with all material aspects of its regular business conducted in Renminbi other than: (1) the operations of Sirton; and (2) the Group's exports, which amounted to approximately RMB35.9 million, or approximately 1.3% of the Group's revenue, for the six months ended 30 June 2020. Except for the operations of Sirton, the Group's exports, potential international deal-making expenditures (such as related to international licensing and acquisitions), and foreign currency denominated bank deposits and the Euro-denominated bonds, the Group believes that it does not have any other material direct exposure to foreign exchange fluctuations. As at 30 June 2020, the Group's foreign currency denominated bank deposits primarily comprised: (1) approximately USD56.4 million (equivalent to approximately RMB399.3 million); (2) approximately Hong Kong Dollar ("**HKD**") 23.3 million (equivalent to approximately RMB21.2 million); and (3) approximately EUR238.8 million (equivalent to approximately RMB1,901.4 million). The Group expects that the fluctuation of the Renminbi exchange rate will not have a material adverse effect on the operations of the Group in the foreseeable future.

Significant Investments Held

During the six months ended 30 June 2020, the Group did not have any significant investments.

Future Plans for Material Investments or Capital Assets

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

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2020, the Group employed a total of 5,437 employees, as compared to a total of 5,404 employees as at 31 December 2019. The staff costs, including Directors' emoluments but excluding any contributions to the pension scheme, were approximately RMB555.1 million for the six months ended 30 June 2020, as compared to approximately RMB896.0 million for the corresponding period in 2019. Such difference between the two periods was mainly due to the equity incentive awards and grants made by the Group during the six months ended 30 June 2019. The Group generally formulated its employees' remuneration package to include salary, bonus, equity compensation, and allowance elements. The compensation programs were designed to remunerate the employees based on their performance, measured against specified objective criteria. The Group also provided the employees with welfare benefits in accordance with applicable regulations and the Group's internal policies. The Company has adopted a share option scheme, a share award scheme and other incentive schemes such as cash awards for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

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 throughout the Reporting Period.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2020.

THE BOARD AND ITS COMMITTEES

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

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2020.

CHANGES TO INFORMATION REGARDING DIRECTORS AND CHIEF EXECUTIVES

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

AUDIT COMMITTEE

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

The Audit Committee, together with the management, has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020. The Audit Committee does not have any disagreement with any accounting treatment which had been adopted. The Audit Committee has also reviewed the effectiveness of the financial reporting, internal control and risk management systems of the Company and considers such systems to be effective and adequate.

In addition, the independent auditor of the Company, Ernst & Young, has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, the Company had repurchased a total of 1,493,500 ordinary shares of the Company on the Stock Exchange at an aggregate cash consideration of HKD12,505,955 (excluding expenses). All the shares repurchased by the Company during the six months ended 30 June 2020 had been cancelled by the Company. Save as the aforesaid repurchases of shares and as described under the headings "Repurchases and Redemption of Existing 2022 Bonds" and "New 2025 Bonds Issue" in the "Management Discussion and Analysis" section and the "Convertible Bonds" section of this report, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2020.

POST-IPO SHARE OPTION SCHEME

Pursuant to a written resolution passed by the then sole shareholder of the Company on 23 May 2015, the Company adopted a share option scheme pursuant to Chapter 17 of the Listing Rules (the "**Scheme**"). The details of the Scheme were disclosed in the Company's prospectus dated 1 June 2015 in the section headed "Statutory and General Information — 5. Post-IPO Share Option Scheme" in Appendix IV. Under the Scheme, the Company was authorised to issue up to 242,439,857 ordinary shares (subject to possible adjustments), which represented approximately 9.55% of the issued shares as at 30 June 2020. The purpose of the Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

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

The Scheme will continue to be in effect for a term of ten years unless terminated sooner, and has a remaining term of approximately 4.5 years as at the date of this report. On 28 June 2016, the Company amended the Scheme to include nominees and/or trustees of employee benefit trusts set up for the employees of the members of the Group as participants eligible to participate in the Scheme.

The following share options were outstanding under the Scheme as of 30 June 2020:

NAME OR CATEGORY OF PARTICIPANT	NUMBER OF SHARE OPTIONS AS AT 1 JANUARY 2020	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	FORFEITED/ CANCELLED DURING THE PERIOD	EXPIRED DURING THE PERIOD	AS AT 30 JUNE 2020	DATE OF GRANT OF SHARE OPTIONS	EXERCISE PERIOD OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS	PRICE OF THE COMPANY'S LISTED SHARES IMMEDIATELY BEFORE THE GRANT DATE OF OPTIONS	THE WEIGHTED AVERAGE CLOSING PRICE OF THE COMPANY'S LISTED SHARES IMMEDIATELY BEFORE THE EXERCISE DATES
The Empire Trust*	18,276,500	–	45,500	–	–	18,231,000	2 February 2017	From 2 August 2018 to 2 February 2027**	HKD7.62/Share	HKD7.37/Share	HKD9.13/Share
Total	18,276,500	–	45,500	–	–	18,231,000					

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

** Share options granted are subject to vesting conditions.

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

As at 30 June 2020, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

(i) Interests in the Company

Name	Position	Nature of Interest	Number of Shares held	Approximate percentage of all Shares in Issue[1]
LOU Jing[2] (婁競)	Executive Director	Beneficial owner	660,000[L]	0.03%
		Beneficiary of a trust	49,786,010[L]	1.96%
		Other	476,774,553[L]	18.78%
			Total: 527,220,563[L]	20.77%
SU Dongmei[3] (蘇冬梅)	Executive Director	Interest in controlled Corporation	24,384,630[L]	0.96%
		Beneficial owner	660,000[L]	0.03%
			Total: 25,044,630[L]	0.99%
HUANG Bin[4] (黃斌)	Non-Executive Director	Interest in controlled corporation	32,197,350[L]	1.27%

Notes:

(L): denotes long position.

(1) The calculation is based on the total number of 2,538,526,132 Shares in issue as at 30 June 2020.

(2) Dr. LOU Jing was granted 660,000 share options by the Company, representing 660,000 Shares upon full exercise. Dr. LOU Jing was a beneficiary under two unnamed trusts which were interested in 41,746,000 Shares and 8,040,010 Shares, respectively. Dr. LOU Jing was an enforcer and a beneficiary of an unnamed discretionary trust which was interested in 476,774,553 Shares. Therefore, Dr. LOU Jing was deemed to be interested in all such Shares as discussed in the foregoing.

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

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

(ii) Interests in Associated Corporations

Name	Position	Associated Corporation	Nature of Interest	Number of Securities	Approximate Percentage of Outstanding Share Capital of the Associated Corporation(1)
LOU Jing (婁競)	Executive Director	Sunshine Guojian	Interest in controlled corporation	25,160,657(L)(1)	4.54%
SU Dongmei (蘇冬梅)	Executive Director	Sunshine Guojian	Others(2)	200,000(L)(2)	0.04%

Notes:

(L): denotes long position.

(1) The shares were allotted by Sunshine Guojian to Achieve Well International Limited, a company wholly-owned by Dr. LOU Jing, under the ESOP adopted by Sunshine Guojian as announced on 2 July 2019 by the Company, for purposes of holding the awarded shares granted to Dr. LOU Jing. Upon completion of the Offering of Sunshine Guojian on 22 July 2020, the approximate percentage of Dr. LOU Jing's interest in the share capital of Sunshine Guojian has been diluted to 4.08%.

(2) An ultimate beneficial owner of an interest in a fund (the "**Fund**") that is used for holding shares awarded under the ESOP adopted by Sunshine Guojian as announced on 2 July 2019 by the Company, which directly holds the awarded shares for the ultimate benefit of Ms. SU Dongmei, being one of the grantees of the awarded shares that have been allotted to the Fund by Sunshine Guojian. Upon completion of the Offering of Sunshine Guojian on 22 July 2020, the approximate percentage of Ms. SU Dongmei's interest in the share capital of Sunshine Guojian has been diluted from 0.036% to 0.032%.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2020, to the best of the Directors' knowledge, the following persons (other than the Directors or chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Nature of Interest	Number of Shares held	Approximate percentage of all Shares in Issue[1]
Decade Sunshine Limited ("**DSL**")[2]	Beneficial owner	476,774,553[L]	18.78%
Century Sunshine Limited ("**CSL**")[2]	Interest in a controlled corporation	476,774,553[L]	18.78%
XING Lily[3]	Interest in a controlled corporation[2]	476,774,553[L]	18.78%
	Interest of spouse[3]	48,606,010[L]	1.91%
		Total: 525,380,563[L]	20.70%
Lambda International Limited[2]	Interest in a controlled corporation	476,774,553[L]	18.78%
TMF (Cayman) Ltd.[4]	Trustee	580,514,043[L]	22.87%
CS Sunshine Investment Limited[5]	Beneficial owner	472,212,360[L]	18.60%
CPEChina Fund, L.P.[5]	Interest in a controlled corporation	472,212,360[L]	18.60%
CITIC PE Associates, L.P.[5]	Interest in a controlled corporation	472,212,360[L]	18.60%
CITIC PE Funds Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.60%
CITIC PE Holdings Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.60%
CLSA Global Investment Management Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.60%
CITIC Securities International Company Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.60%
CITIC Securities Company Limited[5]	Interest in a controlled corporation	472,212,360[L]	18.60%
JPMorgan Chase & Co.	Interest in a controlled corporation	106,343,149[L]	4.19%
		54,437,287[S]	2.14%
	Approved lending agent	21,869,980[L]&[P]	0.86%
	Person having a security interest in shares	145,685,901[L]	5.74%
		Total: 273,899,030[L]	10.79%
		54,437,287[S]	2.14%
		21,869,980[P]	0.86%
Hillhouse Capital Advisors, Ltd.[6]	Investment manager	229,371,477[L]	9.04%
Gaoling Fund, L.P.[6]	Beneficial owner	223,514,977[L]	8.80%

Notes:

(L): denotes long position

(S): denotes short position

(P): denotes lending pool

(1) The calculation is based on the total number of 2,538,526,132 Shares in issue as at 30 June 2020.

(2) DSL was wholly-owned by CSL and therefore CSL was deemed to be interested in 476,774,553 Shares held by DSL; further, 42.60% and 35.65% of CSL were respectively controlled by Ms. XING Lily and Lambda International Limited, who were therefore deemed to be interested in such 476,774,553 Shares.

(3) On 29 April 2020, Ms. XING Lily's spouse, Dr. LOU Jing, purchased 1,840,000 Shares on market, thereby increasing the interest of spouse to 50,446,010 Shares, representing approximately 1.99% of all Shares in issue and in turn, increasing the total deemed interest of Ms. XING Lily to 527,220,563 Shares, representing approximately 20.77% of all Shares in issue. Given that the change of the total deemed interest of Ms. XING Lily as a substantial shareholder from 20.70% to 20.77% of all Shares in issue did not cross over whole percentage level, the change did not trigger a disclosure obligation under the SFO and therefore the information shown in the table as of 30 June 2020 reflects that of Ms. XING Lily's interests positions as required to be disclosed under the SFO.

(4) TMF (Cayman) Ltd. was the trustee with respect to four unnamed trusts, which respectively were interested in 476,774,553, 47,946,010, 18,276,500, and 37,516,980 Shares, and therefore TMF (Cayman) Ltd. was deemed to be interested in all such Shares. In April and June 2020, a total of 45,500 Shares was issued pursuant to exercise of share options under the Pre-IPO Share Option Scheme, thereby reducing the interest of one unnamed trust to 18,231,000 Shares and in turn, reducing the total deemed interest of TMF (Cayman) Ltd. to 580,468,543 Shares, representing approximately 22.8664% of all Shares in issue. Given that the change of total deemed interest of TMF (Cayman) Ltd. as a substantial shareholder from 22.8682% to 22.8664% of all Shares in issue did not cross over whole percentage level, the change did not trigger a disclosure obligation under the SFO and therefore the information shown in the table as of 30 June 2020 reflects that of TMF (Cayman) Ltd.'s interests positions as required to be disclosed under the SFO.

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

(6) Hillhouse Capital Advisors, Ltd. is the investment manager of Gaoling Fund, L.P. and is therefore deemed to be interested in the shares held by Gaoling Fund, L.P.

Save as disclosed above, as at 30 June 2020, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CONVERTIBLE BONDS

The 2022 Bonds

On 12 July 2017, the Group, through Strategic International, a direct wholly-owned subsidiary of the Company, conducted an international offering of Euro-denominated zero-coupon convertible bonds, or the 2022 Bonds, in an aggregate principal amount of EUR300,000,000, due 2022, which was unconditionally and irrevocably guaranteed by the Company. The issue of the 2022 Bonds was completed on 21 July 2017. The listing of and permission to deal in the 2022 Bonds became effective on 24 July 2017. The information regarding the 2022 Bonds is summarized in note 17 to the unaudited interim condensed consolidated financial information and the Company's announcements dated 12 July 2017, 13 July 2017 and 21 July 2017.

The 2022 Bonds constituted direct, unconditional, unsubordinated and (subject to the provision relating to the negative pledge in respect thereof) unsecured obligations of Strategic International and ranked pari passu and without any preference or priority among themselves.

Use of Proceeds of the 2022 Bonds

The net proceeds of approximately EUR295,898,164 represented a net issue price of approximately HKD14.04 per conversion share based on the initial conversion price of HKD14.28 per conversion share. As disclosed in the announcement of the Company dated 12 July 2017 in relation to the proposed issue of the 2022 Bonds (the "**2022 Bonds Announcement**"), the net proceeds from the 2022 Bonds were proposed to be used for repaying the loans of the Group, future merger and acquisitions, R&D, purchase of operation facilities and other general corporate purposes. As at 30 June 2020, RMB1,829,151,750 of the proceeds of the 2022 Bonds were allocated or applied to repaying the loans of the Group, merger and acquisitions, purchase of operation facilities and other general corporate purposes.

It is estimated that the remaining balance of the proceeds of the 2022 Bonds, approximately RMB473,274,000, will be allocated or applied in accordance with the proposed uses as disclosed in the 2022 Bonds Announcement and is expected to be fully utilized in one to three years.

With respect to the repurchases, redemption and delisting of the 2022 Bonds, please refer to the section headed "Key Events – Repurchases and Redemption of Existing 2022 Bonds" for more details.

New 2025 Bonds Issue

As announced on 29 June 2020, Strategic International successfully completed the issuance of the 2025 Bonds, which was guaranteed by the Company, to institutional investors. The listing of, and permission to deal in, the 2025 Bonds on the Stock Exchange became effective on 30 June 2020.

The 2025 Bonds constitute direct, unconditional, unsubordinated and (subject to the provision relating to the negative pledge in respect thereof) unsecured obligations of Strategic International and shall rank pari passu and without any preference or priority among themselves. The successful issue of the 2025 Bonds signifies the business and financial performance of the Company being recognized by the international capital market, which will improve the liquidity position of the Group, reduce the financing costs of the Group and raise further working capital for the Company to facilitate the overall development and expansion of the Group.

Use of Proceeds of the 2025 Bonds

The net proceeds from the issuance of the 2025 Bonds (after deduction of commissions and other related expenses) were approximately EUR316,800,000. Such net proceeds were used to pay for the Concurrent Repurchase and the redemption of the Put Bonds as well as the redemption of the 2022 Bonds pursuant to the exercise of clean-up call option.

For more information regarding the issuance of the 2025 Bonds, please refer to the announcements of the Company dated 17 June 2020, 18 June 2020 and 29 June 2020.

Conversion Price and Shares to be Issued upon Full Conversion

As at 30 June 2020, the outstanding principal amount of the 2025 Bonds was EUR320,000,000. As announced on 17 June 2020, the initial Conversion Price of the 2025 Bonds is HK$13.1750 per Conversion Share, which represents (i) a premium of approximately 25% over the closing price of HK$10.54 per Share as quoted on the Stock Exchange on 17 June 2020 (being the trading day on which the subscription agreement for the 2025 Bonds was entered into) and (ii) a premium of approximately 31.72% over the average closing price of approximately HK$10.0020 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 17 June 2020.

Assuming full conversion of the 2025 Bonds at the initial Conversion Price of HK$13.1750 per Conversion Share and there being no further issue of Shares since 30 June 2020, the 2025 Bonds will be convertible into approximately 212,035,521 Shares, representing approximately 8.35% of the issued share capital of the Company as at 30 June 2020 and approximately 7.71% of the issued share capital of the Company as at 30 June 2020 as enlarged by the issue of the Conversion Shares. The Company has a general mandate sufficient to cover the shares issuable upon full conversion of the 2025 Bonds.

The following table summarises the potential effects on the shareholding structure of the Company as a result of the full conversion of the 2025 Bonds:

	As at 30 June 2020		Assuming the 2025 Bonds are fully converted at the initial Conversion Price as at 30 June 2020	
Name of Shareholders	Number of Shares	Approximate % of total issued Shares[(4)]	Number of Shares	Approximate % of the enlarged issued Shares[(4)]
Decade Sunshine Limited[(1)]	476,774,553	18.78%	476,774,553	17.33%
CS Sunshine Investment Limited	472,212,360	18.60%	472,212,360	17.17%
Hero Grand Management Limited[(2)]	49,786,010	1.96%	49,786,010	1.81%
Directors[(3)]	171,084,881	6.74%	171,084,881	6.22%
Other public shareholders	1,368,668,328	53.92%	1,368,668,328	49.76%
Bondholders	—	—	212,035,521	7.71%
Total	2,538,526,132	100%	2,750,561,653	100%

Notes:

(1) Decade Sunshine Limited is a company controlled by Dr. LOU Jing.

(2) Hero Grand Management Limited is owned by an unnamed trust that is owned as to 100% by TMF (Cayman) Ltd. as the trustee, and Dr. LOU Jing (Chairman of the Board) is the settlor and a beneficiary of the trust. As at 30 June 2020, Hero Grand Management Limited held approximately 1.96% of the total issued share capital of the Company, of which 1.64% was held on trust for Dr. LOU Jing and 0.32% was held by itself.

(3) To the best knowledge of the Company, the Directors (other than Dr. LOU Jing), together with a relevant former director, held approximately 6.74% of the total issued share capital of the Company in aggregate as at 30 June 2020.

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

Independent Review Report

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To the board of directors of 3SBio Inc.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 37 to 72, which comprises the condensed consolidated statement of financial position of 3SBio Inc. (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants

Hong Kong
17 August 2020

Unaudited Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	3	**2,695,177**	2,642,932
Cost of sales		**(478,097)**	(458,410)
Gross profit		**2,217,080**	2,184,522
Other income and gains	4	**96,756**	68,147
Selling and distribution expenses		**(972,266)**	(999,019)
Administrative expenses		**(148,788)**	(481,022)
Research and development costs		**(254,348)**	(263,891)
Other expenses		**(58,279)**	(54,716)
Finance costs	6	**(43,624)**	(48,153)
Share of profits and losses of:			
A joint venture		**138**	3,189
Associates		**(18,093)**	(2,472)
PROFIT BEFORE TAX	5	**818,576**	406,585
Income tax expense	7	**(132,829)**	(95,384)
PROFIT FOR THE PERIOD		**685,747**	311,201
Attributable to:			
Owners of the parent		**702,482**	321,294
Non-controlling interests		**(16,735)**	(10,093)
		685,747	311,201
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	9	**RMB0.28**	RMB0.13
— Diluted	9	**RMB0.27**	RMB0.13

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	**685,747**	311,201
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**40,214**	2,072
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**40,214**	2,072
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**219,591**	(23,948)
Income tax effect	**(4,197)**	3,660
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**215,394**	(20,288)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**255,608**	(18,216)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**941,355**	292,985
Attributable to:		
Owners of the parent	**958,090**	303,078
Non-controlling interests	**(16,735)**	(10,093)
	941,355	292,985

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,098,860**	1,988,793
Right-of-use assets		**356,252**	335,936
Goodwill		**4,197,849**	4,145,896
Other intangible assets		**2,118,726**	2,165,139
Investment in a joint venture		**7,608**	7,470
Investments in associates		**580,047**	593,414
Equity investments designated at fair value through other comprehensive income		**929,664**	676,989
Long-term receivables		**3,576**	6,555
Prepayments, other receivables and other assets		**286,568**	163,909
Deferred tax assets		**152,526**	129,024
Total non-current assets		**10,731,676**	10,213,125
CURRENT ASSETS			
Inventories	11	**569,884**	528,473
Trade and notes receivables	12	**1,182,394**	1,018,265
Prepayments, other receivables and other assets		**504,847**	472,360
Financial assets at fair value through profit or loss		**799,321**	472,163
Pledged deposits	13	**22,204**	22,073
Cash and cash equivalents	13	**3,793,107**	2,082,847
Total current assets		**6,871,757**	4,596,181

Unaudited Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	14	**166,198**	149,763
Other payables and accruals	15	**878,808**	913,990
Deferred income		**37,121**	37,217
Interest-bearing bank and other borrowings	16	**460,000**	483,957
Lease liabilities		**7,458**	5,467
Tax payable		**101,765**	21,335
Total current liabilities		**1,651,350**	1,611,729
NET CURRENT ASSETS		**5,220,407**	2,984,452
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,952,083**	13,197,577
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	**13,534**	13,286
Lease liabilities		**27,110**	3,964
Convertible bonds	17	**3,906,850**	2,304,750
Deferred income		**230,311**	242,314
Deferred tax liabilities		**274,327**	268,077
Other non-current liabilities		**5,793**	5,867
Total non-current liabilities		**4,457,925**	2,838,258
Net assets		**11,494,158**	10,359,319
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	**155**	155
Share premium		**4,297,033**	4,307,795
Other reserves		**6,379,427**	5,317,091
		10,676,615	9,625,041
Non-controlling interests		**817,543**	734,278
Total equity		**11,494,158**	10,359,319

Director

Director

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent											
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Equity component of convertible bonds RMB'000	Statutory surplus reserves RMB'000	Retained earnings RMB'000	Fair value Reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	155	–	4,307,795	245,619	47,133	580,540	4,287,551	1,052	155,196	9,625,041	734,278	10,359,319
Profit for the period	–	–	–	–	–	–	702,482	–	–	702,482	(16,735)	685,747
Other comprehensive income for the period:												
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	215,394	–	215,394	–	215,394
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	40,214	40,214	–	40,214
Total comprehensive income for the period	–	–	–	–	–	–	702,482	215,394	40,214	958,090	(16,735)	941,355
Transfer to statutory reserves	–	–	–	–	–	68,910	(68,910)	–	–	–	–	–
Shares repurchased	–	(11,223)	–	–	–	–	–	–	–	(11,223)	–	(11,223)
Shares cancelled	–	11,223	(11,223)	–	–	–	–	–	–	–	–	–
Equity-settled share option and share award scheme (Note 19)	–	–	–	10,253	–	–	–	–	–	10,253	–	10,253
Shares issued upon exercise of share options (Note 19)	–	–	461	(144)	–	–	–	–	–	317	–	317
Issue of convertible bonds (Note 17)	–	–	–	–	111,172	–	–	–	–	111,172	–	111,172
Repurchase of convertible bonds	–	–	–	428	(17,463)	–	–	–	–	(17,035)	–	(17,035)
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	100,000	100,000
At 30 June 2020 (unaudited)	155	–	4,297,033	256,156	140,842	649,450	4,921,123	216,446	195,410	10,676,615	817,543	11,494,158

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

For the six months ended 30 June 2020

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

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**818,576**	406,585
Adjustments for:			
Finance costs	6	**43,624**	48,153
Gain on repurchase of convertible bonds	4	**(2,465)**	—
Gain on deemed disposal of an associate	4	**(625)**	—
Share of profits and losses of a joint venture and associates		**17,955**	(717)
Interest income	4	**(36,795)**	(32,866)
Foreign exchange differences	4	**(4,792)**	(4,131)
Charge of share-based compensation costs	5	**10,253**	340,511
Depreciation of property, plant and equipment	5	**92,664**	89,430
Amortisation of other intangible assets	5	**74,305**	68,483
Depreciation of right-of-use assets	5	**7,556**	6,162
Amortisation of long-term deferred expenses	5	**2,976**	1,721
Recognition of deferred income		**(20,667)**	(18,715)
Loss on disposal of a derivative financial instrument		**—**	192
Provision/(reversal of provision) for impairment of trade receivables	5	**3,389**	(12,190)
Provision for impairment of other receivables	5	**1,352**	22,347
Provision for impairment of long-term receivables	5	**3,459**	25,311
Reversal of provision for impairment of inventories		**(329)**	(118)
Loss on disposal of items of property, plant and equipment	5	**2,452**	693
		1,012,888	940,851
Increase in inventories		**(37,329)**	(66,112)
Increase in pledged deposits		**(4,655)**	(109)
Increase in trade and notes receivables		**(167,520)**	(75,456)
Increase in prepayments and other receivables		**(6,707)**	(86,543)
Increase in trade and bills payables		**16,435**	57,448
(Decrease)/increase in other payables and accruals		**(31,026)**	90,406
Cash generated from operations		**782,086**	860,485
Income tax paid		**(73,849)**	(160,865)
Net cash flows from operating activities		**708,237**	699,620

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2020

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**24,518**	26,830
Purchase of items of property, plant and equipment	**(309,869)**	(184,358)
Purchase of financial assets at fair value through profit or loss	**(8,050,218)**	(2,708,348)
Proceeds from disposal of financial assets at fair value through profit or loss	**7,723,060**	1,793,508
Purchase of equity investments designated at fair value through other comprehensive income	**(26,835)**	(315,065)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	**5,952**	—
Additions to other intangible assets	**(25,709)**	(4,056)
Disposal of a subsidiary	**—**	(256)
Repayment of loans from related parties	**10,474**	30,100
A loan to a related party	**—**	(32,200)
A loan to a third party	**(16,194)**	(20,000)
Government grants received	**7,160**	610
Proceeds from disposal of property, plant and equipment	**182**	46
Net cash flows used in investing activities	**(657,479)**	(1,413,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**317**	6,587
Proceeds from issue of convertible bonds	**2,522,045**	—
Repurchases of convertible bonds	**(937,745)**	—
Acquisition of treasury shares	**(11,223)**	(38,181)
Decrease/(increase) in pledged deposits	**4,524**	(606)
Repayments of bank borrowings	**(489,395)**	(847,925)
Proceeds from bank borrowings	**462,000**	1,172,265
Capital injection from non-controlling shareholders	**100,000**	44,367
Principal portion of lease payments	**(3,011)**	(2,437)
Interest paid	**(6,834)**	(12,122)
Net cash flows from financing activities	**1,640,678**	321,948
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,691,436**	(391,621)
Cash and cash equivalents at beginning of period	**2,082,847**	1,792,605
Effect of foreign exchange rate changes, net	**18,824**	(21,094)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,793,107**	1,379,890

Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2020

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2020, the Company and its subsidiaries were principally engaged in the development, production, marketing and sale of biopharmaceutical products in the mainland area ("**Mainland China**") of the People's Republic of China (the "**PRC**").

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

2.1 Basis of preparation

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

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

2.2 Changes in accounting policies and disclosures (continued)

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

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendment did not have any impact on the financial position and performance of the Group as no rent concessions have been received by the Group as a result of the covid-19 pandemic.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of biopharmaceuticals	**2,694,353**	2,625,040
Technical services	**824**	17,892
	2,695,177	2,642,932

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of biopharmaceuticals	**2,694,353**	2,625,040
Technical services	**824**	17,892
Total revenue from contracts with customers	**2,695,177**	2,642,932
Geographical markets		
Mainland China	**2,623,503**	2,575,205
Others	**71,674**	67,727
Total revenue from contracts with customers	**2,695,177**	2,642,932
Timing of revenue recognition		
Goods transferred at a point in time	**2,694,353**	2,625,040
Services transferred over time	**824**	17,892
Total revenue from contracts with customers	**2,695,177**	2,642,932

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	**36,795**	32,866
Government grants related to		
— Assets	**15,805**	14,685
— Income	**26,555**	14,529
Others	**9,719**	1,936
	88,874	64,016
Gains		
Foreign exchange differences, net	**4,792**	4,131
Gain on deemed disposal of an associate	**625**	—
Gain on repurchase of convertible bonds	**2,465**	—
	7,882	4,131
	96,756	68,147

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**478,097**	458,410
Depreciation of items of property, plant and equipment	**92,664**	89,430
Amortisation of other intangible assets	**74,305**	68,483
Depreciation of right-of-use assets	**7,556**	6,162
Amortisation of long-term deferred expenses	**2,976**	1,721
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages, salaries and staff welfare	**501,881**	515,317
Equity-settled compensation expenses	**10,253**	340,511
Pension scheme contributions	**15,396**	37,972
Social welfare and other costs	**42,984**	40,164
	570,514	933,964
Other expenses and losses:		
Donation	**46,313**	17,325
Loss on disposal of items of property, plant and equipment	**2,452**	693
Provision for impairment of long-term receivables	**3,459**	25,311
Provision /(reversal of provision) for impairment of trade receivables	**3,389**	(12,190)
Provision for impairment of other receivables	**1,352**	22,347
Others	**1,314**	1,230
	58,279	54,716

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**7,059**	12,079
Interest on convertible bonds	**36,289**	35,830
Interest on lease liabilities	**276**	244
	43,624	48,153

7. INCOME TAX

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

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

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2020 as the Group had no assessable profits arising in Hong Kong.

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

Shenyang Sunshine, Sunshine Guojian, NERC, Sciprogen and Zhejiang Wansheng, which are qualified as High and New Technology Enterprises, were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2020.

7. INCOME TAX (continued)

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

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current	**154,279**	138,636
Deferred	**(21,450)**	(43,252)
Total tax charge for the period	**132,829**	95,384

8. DIVIDENDS

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Proposed and declared dividend	**—**	—

No dividends were declared or paid by the Company during the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2020 attributable to ordinary equity holders of the parent of RMB702,482,000 (for the six months ended 30 June 2019: RMB321,294,000) and the weighted average of 2,538,953,324 (for the six months ended 30 June 2019: 2,534,175,711) ordinary shares of the Company in issue during the reporting period, as adjusted to reflect the issue of ordinary shares during the reporting period.

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

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**702,482**	321,294
Interest on convertible bonds	**36,289**	—
Gain on repurchase of convertible bonds	**(2,465)**	—
Profit attributable to ordinary equity holders of the parent before interest and gain on convertible bonds	**736,306**	321,294

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

	For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period	**2,538,953,324**	2,534,175,711
Effect of dilution — weighted average number of ordinary shares:		
Share options	**4,375,294**	2,040,029
Convertible bonds	**188,083,823**	—
	2,731,412,441	2,536,215,740

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Carrying amount at 1 January	**1,988,793**	1,791,961
Additions	**203,688**	388,055
Depreciation provided during the period/year	**(92,664)**	(185,608)
Disposals	**(2,634)**	(5,410)
Exchange realignment	**1,677**	(205)
Carrying amount at 30 June / 31 December	**2,098,860**	1,988,793

Freehold land with a carrying amount of approximately RMB4,054,000 as at 30 June 2020 (31 December 2019: RMB3,980,000) is located 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 RMB63,668,000 as at 30 June 2020 (31 December 2019: RMB65,472,000). The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 30 June 2020.

At 30 June 2020, certain of the Group's land and buildings, which had an aggregate carrying amount of approximately RMB2,784,000 (31 December 2019: RMB2,733,000) and RMB14,151,000 (31 December 2019: RMB14,443,000) respectively, were pledged to secure general banking facilities granted to the Group (note 16).

11. INVENTORIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Raw materials	**184,936**	154,710
Work in progress	**260,564**	233,235
Finished goods	**96,117**	117,846
Consumables and packaging materials	**30,231**	24,975
	571,848	530,766
Impairment	**(1,964)**	(2,293)
	569,884	528,473

12. TRADE AND NOTES RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	**1,198,829**	982,331
Notes receivables	**38,508**	87,485
	1,237,337	1,069,816
Provision for impairment of trade receivables	**(54,943)**	(51,551)
	1,182,394	1,018,265

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

12. TRADE AND NOTES RECEIVABLES (continued)

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	**1,152,830**	933,026
1 to 2 years	**9,268**	14,981
Over 2 years	**36,731**	34,324
	1,198,829	982,331

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	**3,792,401**	2,082,142
Restricted cash	**706**	705
Pledged deposits	**22,204**	22,073
	3,815,311	2,104,920
Less:		
Pledged deposits for letters of credit	**(14,655)**	(10,000)
Pledged deposits for bank acceptance bills	**(7,549)**	(12,073)
Cash and cash equivalents	**3,793,107**	2,082,847

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.

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

The Group's cash and cash equivalents and deposits as at 30 June 2020 are denominated in the following currencies:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Denominated in:		
— RMB	**1,493,430**	1,585,014
— Hong Kong Dollar ("**HKD**")	**21,245**	85,380
— United States Dollar ("**USD**")	**399,254**	310,954
— Euro ("**EUR**")	**1,901,380**	123,570
— Great Britain Pound	**2**	2
	3,815,311	2,104,920

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

The carrying amounts of the cash and cash equivalents approximated to their fair values as at the end of the reporting period. Deposits of approximately RMB22,204,000 (31 December 2019: RMB22,073,000) have been pledged to secure letters of credit and bank acceptance bills as at 30 June 2020.

14. TRADE AND BILLS PAYABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	**149,373**	131,436
3 to 6 months	**13,827**	14,790
Over 6 months	**2,998**	3,537
	166,198	149,763

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Accrued selling and marketing expenses	**382,874**	294,498
Accrued salaries, bonuses and welfare expenses	**154,193**	157,277
Contract liabilities	**9,674**	34,431
Due to related parties (note 21)	**—**	71,855
Taxes payable (other than income tax)	**34,992**	41,008
Interest payable	**111,804**	143,666
Payable to vendors of property, plant and equipment and other intangible assets	**51,024**	31,828
Others	**134,247**	139,427
	878,808	913,990

Other payables are non-interest-bearing.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current		
Bank loans — unsecured	**460,000**	—
Bank loans — secured	**—**	483,957
	460,000	483,957
Non-current		
Other secured bank loans	**13,534**	13,286
Convertible bonds	**3,906,850**	2,304,750
	3,920,384	2,318,036
Total	**4,380,384**	2,801,993

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**460,000**	483,957
In the second year	**—**	—
In the third to fifth years, inclusive	**13,534**	13,286
	473,534	497,243

Notes:

(a) For the six months ended 30 June 2020, the bank borrowings bore interest at fixed interest rates ranging from 3.15% to 3.30% (31 December 2019: 1.00% to 4.65%) per annum.

(b) The bank borrowings were secured by mortgages over the Group's land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB2,784,000 (31 December 2019: RMB2,733,000) and RMB14,151,000 (31 December 2019: RMB14,443,000), respectively.

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

17. CONVERTIBLE BONDS

On 21 July 2017, Strategic International Group Limited ("**Strategic**"), a direct wholly-owned subsidiary of the Company, issued Euro-denominated zero-coupon convertible bonds (the "**2022 Bonds**") with a nominal value of EUR300,000,000. The 2022 Bonds are guaranteed by the Company and convertible at the option of the bondholders into ordinary shares with the initial conversion price of HKD14.28 per share at any time on and after 31 August 2017 and up to the close of business on the date falling seven days prior to 21 July 2022.

EUR109,459,000 in an aggregate principal amount of the 2022 Bonds were repurchased during the period. Following the settlement and the cancellation of such 2022 Bonds, the aggregate principal amount of the 2022 Bonds that remained outstanding as at 30 June 2020 was EUR190,541,000.

On 29 June 2020, Strategic issued Euro-denominated zero-coupon convertible bonds (the "**2025 Bonds**") with a nominal value of EUR320,000,000. The 2025 Bonds are guaranteed by the Company and convertible at the option of the bondholders into ordinary shares with the initial conversion price of HKD13.1750 per share at any time on and after 9 August 2020 and up to the close of business on the date falling seven days prior to 29 June 2025. The 2025 Bonds are redeemable at the option of the bondholders at a 1.5% gross yield upon early redemption.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The 2025 Bonds issued during the period have been split into the liability and equity components as follows:

	RMB'000 (Unaudited)
Nominal value of convertible bonds issued at 29 June 2020	**2,547,520**
Equity	**(111,172)**
Direct transaction costs attributable to the liability component	**(25,475)**
Liability component at the issuance date	**2,410,873**
Interest accrual	**—**
Exchange realignment	**—**
Liability component at 30 June 2020	**2,410,873**

18. SHARE CAPITAL

Shares	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Issued and fully paid:		
2,538,526,132 (31 December 2019: 2,535,048,051) ordinary shares	**155**	155

A summary of movements in the Company's issued share capital for the six months ended 30 June 2020 is as follows:

	Number of shares in issue	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Ordinary shares of USD0.00001 each at 31 December 2019 and 1 January 2020	**2,535,048,051**	**155**	**4,307,795**	**4,307,950**
Shares issued upon exercise of share options	**45,500**	**—**	**461**	**461**
Shares cancelled	**(1,493,500)**	**—**	**(11,223)**	**(11,223)**
Shares issued as new share award	**4,926,081**	**—**	**—**	**—**
Ordinary shares of USD0.00001 each at 30 June 2020	**2,538,526,132**	**155**	**4,297,033**	**4,297,188**

19. SHARE INCENTIVE SCHEME

Share award scheme adopted by the Company

As part of the Group's initiatives to recognise the contributions of the selected participants, attract suitable personnel and provide the selected participants with a direct economic interest in attaining a long-term relationship between the Group and the selected participants, on 23 March 2020, the board of the directors of the Company approved the adoption of the Share Award Scheme to grant 9,885,448 shares to 32 employees of the Group. The share award will vest and become exercisable upon meeting certain vesting conditions. If the vesting conditions are not met, the share award will lapse.

The fair value of the share award at the grant date is estimated using a binomial option pricing model, taking into account the terms and conditions upon which the share award were granted. The contractual life of each share award granted is ten years. There is no cash settlement of the share award. The fair value of the share award granted on 23 March 2020 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	—
Expected volatility (%)	44.83
Risk-free interest rate (%)	0.86
Discounts for the lack of marketability (%)	17.00
Expected contractual life of share options (years)	10.00
Underlying share price (RMB)	5.12

At the date of approval of the unaudited interim condensed financial information, the Company had 9,885,448 share award outstanding under the Share Award Scheme, which represented approximately 0.39% of the Company's shares in issue as at that date.

The Group has recorded share-based payment expenses of RMB7,379,000 in the unaudited interim condensed consolidated statement of profit or loss for the six months ended 30 June 2020.

Share option scheme adopted by the Company

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

19. SHARE INCENTIVE SCHEME (continued)

Share option scheme adopted by the Company (continued)

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

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

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

At the date of approval of the unaudited interim condensed financial information, the Company had 18,231,000 share options outstanding under the Share Option Scheme, which represented approximately 0.72% of the Company's shares in issue as at that date.

There were no share options granted during the period (for the six months ended 30 June 2019: Nil). The Group has recorded share-based payment expenses of RMB2,874,000 in the unaudited interim condensed consolidated statement of profit or loss for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB5,401,000).

Share options exercisable for 45,500 ordinary shares were exercised at an exercise price of HKD7.62 per share during the period, resulting in the issue of 45,500 ordinary shares of the Company and new share capital and share premium of RMB3 and RMB461,000, respectively, as further detailed in note 18 to the unaudited interim condensed consolidated financial information (for the six months ended 30 June 2019: resulting in the issue of 1,007,500 ordinary shares of the Company and new share capital and share premium of RMB69 and RMB9,779,000, respectively).

19. SHARE INCENTIVE SCHEME (continued)

Employee share ownership plan adopted by Sunshine Guojian

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

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

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

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

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

20. COMMITMENTS

The Group had the following capital commitments as at 30 June 2020:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	**1,298,451**	1,064,452
Capital contribution payable to funds	**671,667**	757,499
	1,970,118	1,821,951

21. RELATED PARTY TRANSACTIONS

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

Company	Relationship
Century Sunshine Limited ("**Century Sunshine**")	Ultimate shareholder of the Company
Sunshine Bio-Pharmaceutical Fund	Joint venture
Beijing Huansheng Medical Investment Co., Ltd. ("**Beijing Huansheng**")	Under control of certain middle management personnel of the Company
Liaoning Sunshine Technology Development Co., Ltd. ("**Liaoning Sunshine Technology**")	A subsidiary of Beijing Huansheng
Zhejiang Sunshine Pharmaceutical Co., Ltd. ("**Zhejiang Sunshine**")	Under control of certain middle management personnel of the Company
Medical Recovery Limited ("**Medical Recovery**")	Under control of the directors of the Company

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

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Convertible loan including interest to Zhejiang Sunshine	(i)	**38,297**	37,335
Loans to Liaoning Sunshine Technology	(ii)	**33,481**	64,387
Loans to Beijing Huansheng	(iii)	**10,870**	10,435
Loans to Zhejiang Sunshine	(iv)	**63,829**	62,751
Loans to Medical Recovery	(v)	**228,754**	213,847
Loans to Sunshine Bio-Pharmaceutical Fund	(vi)	**—**	100
Loan from Century Sunshine	(vii)	**71,855**	70,809

21. RELATED PARTY TRANSACTIONS (continued)

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

Notes:

(i) On 29 March 2016, Shenyang Sunshine made to Zhejiang Sunshine, a related party which was under control of certain middle management personnel of the Company, a convertible loan with a principal amount of RMB75,000,000 at an annual interest rate of 8%. The convertible loan can be converted into equity interests in Zhejiang Sunshine at the discretion of Shenyang Sunshine. In 2017, Zhejiang Sunshine had repaid the principal amount of RMB50,000,000. Pursuant to supplemental agreements dated 29 June 2018 and 29 June 2020, the maturity date was extended to 29 June 2020 and 30 June 2021, respectively. The accrued interest for the six months ended 30 June 2020 was RMB481,000 (for the six months ended 30 June 2019: RMB481,000).

(ii) On 7 December 2016 and 23 December 2016, Sunshine Guojian extended loans, the principal amounts of which was RMB20,000,000 and RMB10,000,000, to Liaoning Sunshine Technology at an annual interest rate of 3.85%. Pursuant to supplemental agreements dated 7 March 2018, 23 March 2018 and 27 March 2019, the maturity dates were extended to 6 March 2019, 22 March 2019 and 26 March 2020, respectively and the annual interest rate was changed to 4.35%. During the year ended 31 December 2019, Liaoning Sunshine Technology repaid loan principal and interest of RMB32,677,000 to Sunshine Guojian.

On 20 June 2019, Shenzhen Sciprogen provided a loan, the principal amount of which being RMB32,200,000, to Liaoning Sunshine Technology at an interest rate of 3.92% per annum with the maturity date on 20 June 2020. Pursuant to a supplemental agreement dated 20 June 2020, the maturity date was extended to 20 June 2021. The accrued interest for the six months ended 30 June 2020 was RMB629,000 (for the six months ended 30 June 2019: RMB17,000).

(iii) On 26 May 2017, Zhejiang Wansheng provided a loan, the principal amount of which was RMB10,000,000, to Beijing Huansheng at an interest rate of 4.35% per annum with the maturity date on 26 May 2018. Pursuant to supplemental agreements dated 27 May 2018, 27 May 2019 and 27 May 2020, the maturity dates were extended to 26 May 2019, 27 May 2020 and 27 May 2021, respectively. The accrued interest for the six months ended 30 June 2020 was RMB218,000 (for the six months ended 30 June 2019: RMB217,000).

(iv) On 11 August 2017 and 18 September 2017, Shenyang Sunshine provided entrusted loans, of which the principal amounts were RMB20,000,000 and RMB10,000,000, to Zhejiang Sunshine at an annual interest rate of 3.48% with the maturity dates 11 August 2018 and 18 September 2018, respectively. Pursuant to supplemental agreements dated 9 August 2018, the maturity dates were extended to 8 August 2019. On 8 August 2019, Zhejiang Sunshine repaid loan principal and interest of RMB31,016,000 to Shenyang Sunshine.

On 25 September 2018, Shenyang Sunshine provided a loan, the principal amount of which was RMB30,000,000, to Zhejiang Sunshine at an interest rate of 3.48% per annum with the maturity date on 25 September 2019. Pursuant to a supplemental agreement dated 25 September 2019, the maturity date was extended to 25 September 2020. On 8 August 2019, Shenyang Sunshine provided an entrusted loan, the principal amount of which was RMB30,000,000, to Zhejiang Sunshine at an annual interest rate of 3.48% per annum with the maturity date on 7 August 2020. The accrued interest for the six months ended 30 June 2020 was RMB1,044,000 (for the six months ended 30 June 2019: RMB1,047,000).

On 8 August 2018, Shanghai Xingsheng Pharmaceutical Company Limited provided a loan of RMB1,100,000 to Zhejiang Sunshine with no maturity date and interest.

(v) On 17 July 2018, Strategic entered into a loan agreement with Medical Recovery to provide Medical Recovery with a loan, of which the principal amount was USD30,000,000 at an interest rate of 4% per annum with the maturity date on 16 July 2019. Pursuant to a supplemental agreement dated 16 July 2019 and 17 July 2020, the maturity date was extended to 17 July 2020 and 17 July 2021, respectively. The accrued interest for the six months ended 30 June 2020 was RMB4,534,000 (for the six months ended 30 June 2019: RMB5,326,000).

(vi) On 24 December 2018, Shenyang Sunshine provided a loan, of which the principal amount was RMB100,000, to Sunshine Bio-Pharmaceutical Fund. On 15 March 2019, Sunshine Bio-Pharmaceutical Fund repaid the loan principal entirely.

(vii) On 29 December 2014 and 9 January 2015, Century Sunshine provided loans of USD12,700,000 and USD3,100,000 to Hongkong Sansheng Medical Limited (hereinafter collectively referred to as the "**Hongkong Sansheng**"). Hongkong Sansheng repaid Century Sunshine the loan of USD5,500,000 during 2017, which was equivalent to RMB37,135,000. During the six months ended 30 June 2020, Hongkong Sansheng repaid Century Sunshine the remaining of USD10,300,000 entirely, which was equivalent to RMB71,855,000.

21. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due from related parties		
Current portion		
Medical Recovery	**226,467**	218,910
Zhejiang Sunshine	**45,701**	44,955
Liaoning Sunshine Technology	**33,137**	32,524
Directors and senior management	**5,607**	6,496
Beijing Huansheng	**5,009**	4,875
	315,921	307,760

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due from related parties		
Non-current portion		
Zhejiang Sunshine	**1,376**	1,605

21. RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due to related parties		
Current portion		
Century Sunshine	–	71,855

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	6,884	13,628
Pension scheme contributions	280	667
Equity-settled compensation expenses	552	2,133
	7,716	16,428

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	**929,664**	676,989	**929,664**	676,989
Financial assets at fair value through profit or loss	**799,321**	472,163	**799,321**	472,163
Long-term receivables	**3,576**	6,555	**3,576**	6,555
	1,732,561	1,155,707	**1,732,561**	1,155,707
Financial liabilities				
Interest-bearing bank and other borrowings: non-current	**13,534**	13,286	**13,875**	13,642
Lease liabilities	**27,110**	3,964	**27,110**	3,964
Convertible bonds	**3,906,850**	2,304,750	**3,906,850**	2,304,750
	3,947,494	2,322,000	**3,947,835**	2,322,356

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

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

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings, lease liabilities and convertible bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2020 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

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

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

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market approach	Discount for lack of marketability	30 June 2020: -10% to 10% (31 December 2019: -10% to 10%)	10% (31 December 2019: 10%) increase/decrease in discount would result in decrease/increase in fair value of RMB244,000 and RMB246,000, respectively (31 December 2019: RMB370,000 and RMB392,000, respectively).

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	711,359	—	—	711,359
Unlisted equity investments	—	—	218,305	218,305
Financial assets at fair value through profit or loss:				
Treasury or cash management products	—	799,321	—	799,321
	711,359	799,321	218,305	1,728,985

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

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	502,919	—	—	502,919
Unlisted equity investments	—	—	174,070	174,070
Financial assets at fair value through profit or loss:				
Treasury or cash management products	—	472,163	—	472,163
	502,919	472,163	174,070	1,149,152

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

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

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

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Equity investments at fair value through other comprehensive income:		
At 1 January	**174,070**	313,246
Purchases	**26,835**	140,727
Disposal	**(5,952)**	—
Total gains/(losses) recognised in other comprehensive income	**22,816**	(21,326)
Exchange realignment	**537**	3,362
At 30 June	**218,305**	436,009

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).

23. EVENTS AFTER THE REPORTING PERIOD

On 22 July 2020, Sunshine Guojian completed its listing on the Science and Technology Innovation Board (the "**STAR Market**") of the Shanghai Stock Exchange (the "**A Share Listing**") and the initial public offering of ordinary shares (the "**Offering**"). Sunshine Guojian received total proceeds of RMB1,736,484,000 from the Offering. Before the A Share Listing, the Company controlled approximately 89.96% equity interest of the total issued shares of Sunshine Guojian. As Sunshine Guojian issued a total of 61,621,000 shares for subscription on the STAR Market, therefore, the equity interest of the Company in Sunshine Guojian was diluted by approximately 9% and the Company controlled approximately 80.96% equity interest of the total issued shares of Sunshine Guojian after the A Share Listing. Sunshine Guojian remained as a subsidiary of the Company following the A Share Listing.

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

The unaudited interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 17 August 2020.