
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 40285)

CONNECTED TRANSACTION GRANT OF AWARDED SHARES UNDER SPECIFIC MANDATE TO A CONNECTED PERSON PURSUANT TO THE SHARE AWARD SCHEME AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 11 of this circular.

A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 32 of this circular.

A notice convening the EGM to be held at No. 3 A1, Road 10, Shenyang Economy and Technology Development Zone, Shenyang, People's Republic of China on Friday, 6 November 2020 at 10 a.m. (or any adjournment thereof) is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed on the form as soon as possible but in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the EGM or any adjournment of the EGM (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment of the EGM (as the case may be) should you so wish. **The Company strongly recommends you closely monitor the development of the situation with the novel coronavirus pneumonia (COVID-19) and to assess, based on the social distancing policies, the necessity for attending the EGM in person.**

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DEFINITIONS

The following terms have the following meanings in this circular, unless the context otherwise requires:

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Awarded Shares”	the 10,000,000 Shares granted by the Company to Dr. Zhu pursuant to the terms of the Scheme
“Board”	the board of Directors
“Company”	3SBio Inc. 三生制药, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“COVID-19”	the pandemic of coronavirus disease 2019
“Director(s)”	the director(s) of the Company
“Dr. Zhu”	Dr. Zhu Zhenping, a former president of R&D and chief scientific officer of the Company and currently the director, the president of R&D and the chief scientist of Sunshine Guojian
“EGM”	the extraordinary general meeting of the Company to be held at No. 3 A1, Road 10, Shenyang Economy and Technology Development Zone, Shenyang, People’s Republic of China on Friday, 6 November 2020 at 10 a.m. (or any adjournment of that meeting) for the Independent Shareholders to consider and, if thought fit, approve, amongst other things, the Grant and the Specific Mandate
“Grant”	the grant of the Awarded Shares to Dr. Zhu by the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders in respect of the Grant and the Specific Mandate

DEFINITIONS

“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed by the Securities and Futures Commission of Hong Kong to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Grant and the Specific Mandate
“Independent Shareholders”	the Shareholder(s) who are independent of, and not connected with, Dr. Zhu and not required to abstain from voting on the resolution(s) to be proposed at the EGM to approve, among other things, the Grant and the Specific Mandate
“IND”	investigational new drug
“Latest Practicable Date”	9 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“NMPA”	National Medical Products Administration of the PRC (formerly known as China Food and Drug Administration)
“PRC”	the People’s Republic of China, and for the purpose of this circular, exclusively refers to Mainland China
“R&D”	research and development
“Scheme”	the share award scheme constituted by the rules set out in the scheme document and in the form adopted by the Company on 16 July 2019 as announced by the Company on 17 July 2019
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the capital of the Company with a par value of US\$0.00001 each
“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate to allot and issue the Awarded Shares to Dr. Zhu, which is subject to the approval by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meanings ascribed to it under the Listing Rules

DEFINITIONS

“Sunshine Guojian”	Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd.* 三生國健藥業(上海)股份有限公司, a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company, the shares of which are listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688336)
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.
“€”	Euro, the lawful currency of the member states of the Eurozone

For the purpose of this circular, unless otherwise indicated, the exchange rate of US\$1.00=HK\$7.75 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date.

* For identification purposes only

LETTER FROM THE BOARD



三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 40285)

Executive Directors:

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

Non-executive Directors:

Mr. HUANG Bin
Mr. TANG Ke

Independent non-executive Directors:

Mr. PU Tianruo
Mr. David Ross PARKINSON
Dr. WONG Lap Yan

Registered office (in the Cayman Islands):

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head office:

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

16 October 2020

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
GRANT OF AWARDED SHARES UNDER SPECIFIC MANDATE TO
A CONNECTED PERSON PURSUANT TO THE SHARE AWARD SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 8 September 2020 in relation to, among other things, the Grant and the Specific Mandate.

LETTER FROM THE BOARD

The purposes of this circular are to provide you with, among other things, (i) further details of the Grant; (ii) the Specific Mandate; (iii) the letter of recommendation from the Independent Board Committee in respect of the Grant and the Specific Mandate; (iv) the letter of advice from the Independent Financial Adviser in respect of the Grant and the Specific Mandate; (v) a notice convening the EGM; and (vi) other information as required under the Listing Rules.

On 7 September 2020, the Board resolved to conditionally grant 10,000,000 new Awarded Shares to Dr. Zhu to be issued and allotted as soon as practicable after all conditions precedent as referred to in the section “The Grant — Conditions Precedent” below are satisfied.

THE GRANT

Parties

Grantor: The Company

Grantee: Dr. Zhu Zhenping, the former president of R&D and chief scientific officer of the Company (resigned in September 2019 in light of the proposed spin-off listing of Sunshine Guojian on the STAR Market of the Shanghai Stock Exchange) and currently the director, the president of R&D and the chief scientist of Sunshine Guojian that is now listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688336)

Date of Grant

7 September 2020

The Awarded Shares

The 10,000,000 Awarded Shares represent (i) approximately 0.3931% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 0.3916% of the total number of Shares in issue as enlarged by the allotment and issue of the new Awarded Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the date of allotment of the new Shares, other than the allotment and issue of the new Awarded Shares).

The Awarded Shares shall be granted to Dr. Zhu for nil consideration, and therefore, no funds will be raised as a result of the aforesaid proposed allotment and issue. The Awarded Shares will be issued at nominal value of US\$0.00001 each pursuant to the Scheme. The aggregate nominal value of the new Awarded Shares is US\$100 (i.e. approximately HK\$775).

Based on the closing price of HK\$8.44 per Share as quoted on the date of the Grant, the market value of the 10,000,000 Awarded Shares granted to Dr. Zhu is approximately HK\$84.4 million. The average closing price of the Shares for the five consecutive trading days immediately preceding the Latest Practicable Date as quoted on the Stock Exchange is approximately HK\$8.73 per Share.

Issue of the New Awarded Shares under the Specific Mandate

The new Awarded Shares to Dr. Zhu shall be allotted and issued by the Company under the Specific Mandate.

LETTER FROM THE BOARD

Vesting Date

Subject to the terms of the letter of the grant and the rules of the Scheme and the fulfilment of conditions precedent as set out in “Conditions Precedent” below, the Company will, as soon as practicable, issue and allot 10,000,000 Awarded Shares to Dr. Zhu.

Conditions Precedent

The Grant is subject to the following conditions:

- (i) the terms and conditions of the letter of the grant in respect of the Award (comprising the conditions as set out herein) and the rules of the Scheme;
- (ii) the affirmative recommendation of the Independent Financial Adviser and the affirmative recommendation of the Independent Board Committee after considering the advice from the Independent Financial Adviser;
- (iii) the approval of the Grant and the Specific Mandate by the Independent Shareholders at the EGM;
- (iv) the approval from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Awarded Shares; and
- (v) any other requirements by the Stock Exchange and/or applicable requirements under the Listing Rules.

Ranking of the Awarded Shares

The Awarded Shares will be allotted and issued in accordance with the rules of Scheme upon vesting. The new Awarded Shares, when issued and fully paid, shall rank *pari passu* among themselves and with those Shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the allotment date.

Application for Listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the new Awarded Shares.

LETTER FROM THE BOARD

Equity Fund Raising Activities of the Company in the Past 12 Months

Set out below is a summary of the fundraising activity of the Company during the past 12 months before the Latest Practicable Date.

Date of announcement	Fundraising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
17 June 2020 (completed on 29 June 2020)	Issue of €320,000,000 zero coupon convertible bonds due 2025	€318,000,000	€315,000,000, being the net proceeds after deduction of commissions and other related expenses, were proposed to be used for payments needed for the concurrent repurchase and/or the redemption of the zero coupon convertible bonds due 2022 upon exercise of the put option by the holders of the zero coupon convertible bonds due 2022, research and development, purchase of operation facilities and other general corporate purposes	Concurrent repurchase and redemption of the zero coupon convertible bonds due 2022

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

REASONS FOR AND BENEFITS OF THE GRANT

The Company believes that the ability to attract and retain talented resources and business relationships is vital to its success. Introduction of the Scheme was to provide additional flexibility for the Company to achieve its objectives to attract and motivate talents and contributors, and to retain them in the Group and to develop and strengthen their relationships with the Group.

In determining the proposed Grant to Dr. Zhu and the terms of the Grant, the Board has mainly considered Dr. Zhu's contribution to the Group, in particular his role as the president of R&D and chief scientific officer of the Company in the past few years from 2017 to June 2019, during which Dr. Zhu had made invaluable contributions to the development of the R&D projects and the commercialisation of products of the Group, including leading the Group's R&D and contributed to the development of the Group's pipeline of products by achieving the following key milestones:

- (i) the Group was granted an approval by the NMPA in respect of the IND application for clinical trials in October 2017 in respect of a recombinant humanised anti-vascular endothelial growth factor monoclonal antibody for injection. The drug is used for the treatment of neovascular age-related macular degeneration, which is one of the main causes of irreversible blindness of elder people;
- (ii) the Group's new drug application to the NMPA for the production of the first self-developed pre-filled aqueous fusion protein injection solution, Yisaipu®, in the PRC was accepted in July 2019;

LETTER FROM THE BOARD

- (iii) U.S. Food and Drug Administration and NMPA approved the clinical trial application of the Group's anti-PD-1 monoclonal antibody (Company development code: 609A) in January 2019 and August 2019, respectively, for the treatment of various cancers;
- (iv) the Group obtained another three new IND approvals in 2019, including an anti-interleukin injection for psoriasis (Company development code: 608) to treat autoimmune and other inflammatory diseases, a novel medicine, the oral disintegration tablet of nalfurafine hydrochloride for pruritus in hemodialysis patients (TRK-820, known as REMITCH® as approved in Japan), and a small molecule inhibitor for oral treatment for anaemia in patients with chronic kidney diseases, HIF-117 capsule (SSS17); and
- (v) Cipterbin, being the first-to-market anti-HER2 antibody developed by a domestic company for the treatment of HER2-positive metastatic breast cancer patients, reached final approval stage of NMPA in 2019 and obtained approval from NMPA in June 2020.

Dr. Zhu also established a comprehensive and organised R&D platform for the Company and set the main direction of the Group's R&D strategy in terms of selecting product types of development potentials, assessing and terminating inappropriate projects under development, and providing guidance on innovation of new drugs. He is instrumental in leading the R&D team of the Company with over 380 personnel at the relevant time for the development of the 32 product candidates throughout the pre-clinical, clinical and post-clinical trial stages since joining the Company in 2017.

As the new Awarded Shares shall be allotted and issued by the Company under the Specific Mandate, the Grant will not result in any actual cash outflow from the Group.

Based on the above, it is essential for the Group to recognise (i) Dr. Zhu's instrumental role as the president of R&D and chief scientific officer of the Company from January 2017 to June 2019; and (ii) his past contributions in leading the R&D team to achieve the various product development milestones as described above, by rewarding him with the Grant. The Grant can also serve to motivate Dr. Zhu and other employees of the Group to continuously contribute to its long-term future growth, as it demonstrates that the Group recognises great and consistent achievements, the management is very pragmatic and goal-oriented, and the employees will be rewarded according to their actual past contributions to the Group. The Directors consider that the terms and conditions of the allotment and issue of new Awarded Shares are fair and reasonable and will benefit the Company and the Shareholders as a whole.

No Director has a material interest in relation to the Grant and, therefore, no Director is required to abstain from voting on the board resolutions to approve the Grant.

LISTING RULES IMPLICATIONS

Dr. Zhu is a connected person at the subsidiary level of the Company, and thus the Grant and the allotment and issue of new Awarded Shares constitute connected transactions under the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company proposes to seek a Specific Mandate from the Independent Shareholders at the EGM for the allotment and issue of Awarded Shares to Dr. Zhu under Rule 13.36(1) of the Listing Rules.

As at the Latest Practicable Date, Dr. Zhu and his associates did not hold any Shares, and Dr. Zhu holds only options to subscribe for up to 3,000,000 Shares.

LETTER FROM THE BOARD

INFORMATION ABOUT THE COMPANY

The Company is a leading biotechnology company in the PRC founded in 1993. As a pioneer in the PRC biotechnology industry, the Group has extensive expertise in developing, manufacturing and commercializing biopharmaceuticals.

EGM

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Grant and the Specific Mandate are fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole.

An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Grant and the Specific Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Company will hold the EGM at No. 3 A1, Road 10, Shenyang Economy and Technology Development Zone, Shenyang, People's Republic of China on Friday, 6 November 2020 at 10 a.m. (or any adjournment of that meeting), at which a resolution will be proposed for the purpose of considering and if thought fit, approving the Grant and the Specific Mandate. The notice to convene the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.3sbio.com). Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed on the form and deposit the same at the office of the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time scheduled for the holding of the EGM or any adjournment of EGM (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of the EGM (as the case may be).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 3 November 2020 to Friday, 6 November 2020 (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of the Shares may be registered during the said period. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Monday, 2 November 2020.

LETTER FROM THE BOARD

VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules and article 66(1) of the articles of association of the Company, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the voting on the resolution at the EGM will be conducted by way of poll.

To the best of the information and knowledge of the Company, no existing Shareholder has a material interest in respect of the Grant and the Specific Mandate and is required to, or otherwise will, abstain from voting on the relevant resolution to approve the Grant for the purpose of the Listing Rules.

PRECAUTIONARY MEASURES FOR THE EGM

Taking into account the recent development of the epidemic caused by the COVID-19, the Company will implement the following prevention and control measures at the EGM against the epidemic to protect the Shareholders from the risk of infection:

- (i) compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be permitted to access to the meeting venue;
- (ii) every Shareholder or proxy is required to wear surgical face mask throughout the meeting;
- (iii) no souvenirs will be provided; and
- (iv) no refreshments will be served.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 12 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser, set out on pages 14 to 32 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Grant and the Specific Mandate; and (iii) the additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the allotment and issue of the Awarded Shares under the Specific Mandate is incidental to the Group's development of its ordinary and usual course of business and on normal commercial terms, and the terms of the Grant are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Grant and the Specific Mandate.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that the allotment and issue of the Awarded Shares under the Specific Mandate is incidental to the Group's development of its ordinary and usual course of business and on normal commercial terms, and the terms of the Grant are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. The Board therefore recommends you vote in favour of the resolution in respect of the Grant and the Specific Mandate to be proposed at the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Grant and the Specific Mandate.



三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 40285)

16 October 2020

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION GRANT OF AWARDED SHARES UNDER SPECIFIC MANDATE TO A CONNECTED PERSON PURSUANT TO THE SHARE AWARD SCHEME

We refer to the circular of the Company dated 16 October 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders on whether, in our opinion, the terms of the Grant and the Specific Mandate are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to (i) the letter from the Independent Financial Adviser containing details of the advice of the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration, are set out on pages 14 to 32 of the Circular; and (ii) the letter from the Board as set out on pages 4 to 11 of the Circular.

Having taken into account the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that the allotment and issue of the Awarded Shares under the Specific Mandate is incidental to the Group’s development of its ordinary and usual course of business and on normal commercial terms, and the terms of the Grant are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the Independent Shareholders to vote in favour of the resolution to approve the Grant and the Specific Mandate at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. PU Tianruo
*Independent non-executive
Director*

Mr. David Ross PARKINSON
*Independent non-executive
Director*

Dr. WONG Lap Yan
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed connected transaction in respect of the Grant and the Specific Mandate, which has been prepared for the purpose of incorporation in this circular.

ALTUS .

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

16 October 2020

To the Independent Board Committee and the Independent Shareholders

3SBio Inc.

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Dear Sir and Madam,

CONNECTED TRANSACTION

GRANT OF AWARDED SHARES UNDER SPECIFIC MANDATE TO A CONNECTED PERSON PURSUANT TO THE SHARE AWARD SCHEME

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed connected transaction in relation to the Grant and the Specific Mandate, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 16 October 2020 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the Company’s announcement dated 8 September 2020 in relation to the Grant and the Specific Mandate. On 7 September 2020, the Board resolved to conditionally grant 10,000,000 new Awarded Shares to Dr. Zhu.

LISTING RULES IMPLICATIONS

Dr. Zhu is a connected person at the subsidiary level of the Company, and thus the Grant and the allotment and issue of new Awarded Shares constitute connected transactions under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Company will seek a Specific Mandate from the Independent Shareholders at the EGM for the allotment and issue of Awarded Shares to Dr. Zhu under Rule 13.36(1) of the Listing Rules.

As at the Latest Practicable Date, Dr. Zhu and his associates did not hold any Shares, and Dr. Zhu only held options to subscribe for up to 3,000,000 Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. PU Tianruo, Mr. David Ross PARKINSON and Dr. WONG Lap Yan, has been established to advise the Independent Shareholders as to (i) whether the terms of the Grant are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether the Grant is on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the ordinary resolution to be proposed at the EGM, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Grant are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether the Grant is on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the ordinary resolution to be proposed at the EGM.

We have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the proposed connected transaction in respect of the Grant and the Specific Mandate is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the terms and conditions of the Scheme; (ii) the letter relating to the Grant; (iii) the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”); (iv) the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”); (v) the announcement of the Company dated 2 July 2019 in relation to the adoption of an employee share ownership plan and grant of awarded shares by Sunshine Guojian, a subsidiary of the Company (the “**2 July 2019 Announcement**”); (vi) the announcement of the Company dated 17 July 2019 in relation to, among other things, the adoption of the Scheme and the grant of awarded shares under the general mandate pursuant to the Scheme (the “**17 July 2019 Announcement**”); (vii) the announcement of the Company dated 22 July 2020 in relation to the spin-off and separate listing of Sunshine Guojian (the “**22 July 2020 Announcement**”); (viii) various announcements of the Company from 5 January 2017 to the Latest Practicable Date in relation to the development and commercialisation progress of various medical products; and (ix) other information set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Group, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Group, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the

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Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any such statements, information, opinions or representations we relied on in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. We have relied on such statements, information, opinions and representations. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

1.1 Principal business of the Group

The Company is a leading biotechnology company in the PRC founded in 1993. As a pioneer in the PRC biotechnology industry, the Group has extensive expertise in developing, manufacturing and marketing biopharmaceuticals.

The four core products of the Group, namely TPIAO, Yisaipu, EPIAO and SEPO, are all market leaders principally in the PRC for treatment of different diseases, namely (i) chemotherapy-induced thrombocytopenia (“**CIT**”) and immune thrombocytopenia (“**ITP**”); (ii) rheumatoid arthritis (“**RA**”); (iii) anemia associated with chronic kidney disease (“**CKD**”); and (iv) chemotherapy-induced anemia (“**CIA**”) for the reduction of allogeneic blood transfusion in surgery patients.

TPIAO is the only commercialised recombinant human thrombopoietin product in the world, with a market share of approximately 72.8% in the treatment of CIT and ITP in the PRC during the first half of 2020. Yisaipu is a product treating RA with a continuing dominant market share in the PRC of approximately 54.5% in the first half of 2020. With the two recombinant human erythropoietin products (EPIAO and SEPO), the Group has been a premier market leader in the recombinant human erythropoietin market in the PRC for nearly two decades, holding a total market share of approximately 41.2% in the first half of 2020.

1.2 Financial information of the Group

Set out below is a table summarising certain financial information of the Group extracted from the 2020 Interim Report and the 2019 Annual Report.

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Extract of consolidated statement of profit or loss and other comprehensive income

	6MFY2020	6MFY2019	FY2019	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	2,695,177	2,642,932	5,318,091	4,583,869
Gross profit	<u>2,217,080</u>	<u>2,184,522</u>	<u>4,392,744</u>	<u>3,706,614</u>
Gross profit margin	82.3%	82.7%	82.6%	80.9%
R&D costs	(254,348)	(263,891)	(526,565)	(362,706)
Net profit	685,747	311,201	980,228	1,277,246

Extract of consolidated statement of financial position

	As at 30 June	As at 31 December	
	2020	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	17,603,433	14,809,306	13,839,655
Total liabilities	6,109,275	4,449,987	4,932,285
Net assets	11,494,158	10,359,319	8,907,370

For the year ended 31 December 2019 (“**FY2019**”), the Group’s revenue amounted to approximately RMB5,318.1 million, as compared to approximately RMB4,583.9 million for the year ended 31 December 2018 (“**FY2018**”), representing an increase of approximately 16.0%. The increase was mainly attributable to the strong sales growth of TPIAO and various small molecule therapeutics. Despite the outbreak of COVID-19 in early 2020 which had negatively impacted the sales growth of some products of the Group, the Group recorded revenue increase of approximately 2.0% to approximately RMB2,695.2 million for the six months ended 30 June 2020 (“**6MFY2020**”), as compared to approximately RMB2,642.9 million for the six months ended 30 June 2019 (“**6MFY2019**”). Such increase was primarily due to the rigid demand for TPIAO by target patients and the increased market demand for small molecule therapeutics to treat hair loss.

During FY2018, FY2019 and 6MFY2020, the Group was able to achieve notable and sustainable growth in gross profit. The increase in the Group’s gross profit was generally in line with its revenue growth. The Group’s gross profit margin increased to approximately 82.6% for FY2019 from approximately 80.9% for FY2018, mainly due to the sales growth of TPIAO, which recorded a higher gross profit margin than the Group’s other businesses. For 6MFY2020, the Group’s gross profit increased to approximately RMB2,217.1 million, as compared to approximately RMB2,184.5 million for 6MFY2019, representing an increase of approximately 1.5%, which was broadly in line with the revenue growth during the period. The Group’s gross profit margin decreased slightly to approximately 82.3% for 6MFY2020 from approximately 82.7% for the corresponding period in 2019 due to the increased cost of raw materials for some products and product mix.

Net profit of the Group decreased from approximately RMB1,277.2 million for FY2018 to approximately RMB980.2 million for FY2019 due to the net effect of various non-operational factors, such as (i) the interest expense incurred in relation to the bonds due 2022; (ii) the expenses associated

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with the options granted on 2 February 2017; (iii) the expenses associated with the awarded shares under the employee share ownership plan by Sunshine Guojian (a subsidiary of the Company) (“**Sunshine Guojian ESOP**”); and (iv) the fair value gain upon reclassification of an equity investment in FY2018. Similarly, the significant increase of net profit from approximately RMB311.2 million for 6MFY2019 to approximately RMB685.7 million for 6MFY2020 was mainly attributable to the absence of a one-off and non-cash expenses associated with the grant of awarded shares under the Sunshine Guojian ESOP in June 2019.

Total assets of the Group amounted to approximately RMB14,809.3 million as at 31 December 2019, representing an increase of approximately 7.0%, as compared to RMB13,839.7 million as at 31 December 2018, which further increased to RMB17,603.4 million as at 30 June 2020. Net assets of the Group also improved from approximately RMB8,907.4 million as at 31 December 2018 to approximately RMB11,494.2 million as at 30 June 2020. Such improvement in the overall financial structure of the Group was generally in line with the business growth.

1.3 Historical share awards and Post-IPO Share Option Scheme

On 16 July 2019, the Board resolved to adopt the Scheme and grant a maximum of 10,000,000 awarded shares to 37 grantees, pursuant to the terms of the Scheme, in order to recognise the contributions of the grantees and incentivise their continuing commitment and contribution for the sustainable growth of the Group. We noted from the Management that the awarded shares granted in 2019 was primarily granted to the core employees of Shenyang Sunshine Pharmaceutical Company Limited, which is a wholly-owned subsidiary of the Company. All of the grantees are eligible participants under the Scheme and are independent employees of the Group, and none of them is connected with the Company or any connected person of the Company.

The Company has adopted the post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”) since its listing. The purpose of the Post-IPO Share Option 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 the Shareholders as a whole. The Post-IPO Share Option Scheme provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants. Unless the Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised. With reference to the Company’s announcement dated 3 February 2017, each of Dr. LOU Jing, Mr. TAN Bo, Ms. SU Dongmei and Mr. HUANG Bin was granted 660,000 share options by the Company on 2 February 2017, carrying rights to subscribe for 660,000 Shares upon full exercise, with exercise price set at HK\$7.62 per Share. We noted from the Management that Dr. Zhu was also granted 3,000,000 share options with the same exercise price.

1.4 Recent development and outlook of the Group

According to the 2020 Interim Report, the reform of the pharmaceutical sector in the PRC became more comprehensive in all aspects in 2020. The reform continues to promote industry integration and reorganisation revolving on innovative drugs, and at the same time aims at the quality enhancement of generic drugs. Under the adjustment of the current medical reform policies in the PRC, innovative research and development is of high significance.

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The Group will continue to build up its in-house clinical development capacity and advance its integrative research capability. Particularly, the Group will continue to focus on researching and developing next generation biotherapeutics, 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. The Group has 32 product candidates in the existing pipeline, with 22 product candidates being developed as National New Drugs in the PRC. Among these 32 product candidates, 24 are in the clinical trial or post-clinical trial stage and eight are in the pre-clinical stage as at 30 June 2020 (being the latest practicable date to ascertain such information for the inclusion in this letter).

Subsequent to 30 June 2020, Sunshine Guojian (a 80.96%-owned subsidiary of the Company) listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange on 22 July 2020 as a result of spin-off from the Group. It is principally engaged in the development, manufacture and sale of monoclonal antibody therapeutics in the PRC.

The outbreak of the COVID-19 has confronted businesses with immeasurable uncertainties, risks and challenges. The Group has closely monitored and analysed risks, maintained focus and reduced expenses to maintain strong cash flows for security in the face of the outbreak and sustain stable performance to minimise 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. Despite the fact that the Group's operation was negatively affected by delayed work resumption, logistic chain disruption, and highly restricted hospital visits, the Group was able to achieve revenue growth and significant increase in profit comparing to the same period in 2019 as mentioned above.

In view of the solid research and development (“R&D”) establishment and strong product pipeline as mentioned above, the Management is confident in the future development of the Group.

2. Information about Dr. Zhu

As disclosed in the 2019 Annual Report, Dr. Zhu has over 30 years of experience in the biopharmaceutical industry. Prior to joining the Company in 2017, he served as the executive vice president of Global Biopharmaceuticals at Kadmon Corporation, and the president of Kadmon China from 2010 to 2016. Prior to joining Kadmon, Dr. Zhu was the vice president and the global head at Novartis and he was responsible for the discovery, design and selection of novel biologics medicines that address various human diseases from 2009 to 2010. Prior to Novartis, Dr. Zhu worked for over 12 years at ImClone Systems as vice president of Antibody Technology and Immunology, and had led multiple teams responsible for the successful discovery and early development of several U.S. Food and Drug Administration-approved novel antibodies for various oncology indications as the inventor and major contributor.

Dr. Zhu was appointed as the president of R&D and chief scientific officer of the Company in January 2017, and contributed significantly to the R&D strategy and product pipeline of the Group. With his extensive experience in international biopharmaceutical giants, Dr. Zhu established a comprehensive and organised R&D platform for the Company and set the main direction of the Group's R&D strategy in terms of selecting the product types, assessing and terminating inappropriate projects under development, and providing guidance on innovation of new drugs. He was instrumental in leading the R&D team of the Company with over 380 personnel at the relevant time for the development of the 32 product candidates throughout the pre-clinical, clinical and post-clinical trial stages since joining the Company in 2017.

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Under Dr. Zhu's leadership of the R&D strategies of the Group and with his contributions to the development of the Group's pipeline of products, the Group was able to achieve the following key milestones:

- (i) a recombinant humanised anti-vascular endothelial growth factor monoclonal antibody for injection was granted an approval by the NMPA (formerly known as the China Food and Drugs Administration) in respect of the investigational new drug (the "IND") application for clinical trials in October 2017 for the treatment of neovascular age-related macular degeneration ("AMD"), which is one of the main causes of irreversible blindness of elder people. As shown in an epidemiologic study in the United States¹, the prevalence rate of AMD was approximately 2% for people aged from 52 to 64, and increased to approximately 28% for people aged 75 or above. The prevalence rate of AMD in China has been increasing significantly in recent years as the aging population has increased in China;
- (ii) the Group's new drug application to the NMPA for the production of the first self-developed pre-filled aqueous fusion protein injection solution in the PRC, Yisaipu[®], was accepted in July 2019. Yisaipu[®] is used for the treatment of three indications: active ankylosing spondylitis, moderate and severe active rheumatoid arthritis as well as moderate and severe plaque psoriasis in adults of 18 years old and above. Poor patients' compliance is one of the major causes of repeated disease onset. At present, patients' compliance with such biologics agent is not yet satisfactory. Yisaipu[®] pre-filled aqueous injection solution has achieved significant breakthrough in the process of biologics agents in China. Patients are no longer restricted to hospital treatment and can give self-injections at home. It is expected to greatly improve patients' compliance and enhance patients' quality of life;
- (iii) the clinical trial application of the Group's anti-PD-1 monoclonal antibody (Company development code: 609A) was approved by the U.S. Food and Drug Administration in January 2019 and by the NMPA in August 2019 for the treatment of various cancers. Please refer to the announcement of the Company dated 29 August 2019 for further details;
- (iv) the Group obtained another three new IND approvals in 2019, including:
 - a. an anti-interleukin injection for psoriasis (Company development code: 608) to treat autoimmune and other inflammatory diseases. Please refer to the announcement of the Company dated 1 August 2019 for further details;
 - b. a novel medicine, the oral disintegration tablet of nalfurafine hydrochloride, for pruritus in hemodialysis patients (TRK-820, known as REMITCH[®] as approved in Japan). TRK-820, as an oral disintegration tablet, which can be taken with or without water, is convenient for patients whose swallowing capabilities have deteriorated or those who have limitations on water-intake; and
 - c. a small molecule inhibitor for oral treatment for anemia in patients with chronic kidney diseases, HIF-117 capsule (SSS17). It is expected that SSS17 will create synergies with the Group's recombinant human erythropoietin injections and provide patients with chronic kidney diseases with more options of full-cycle and comprehensive treatments; and

¹ van Leeuwen R, Klaver C C W, Vingerling J R, et al. REVIEW: Epidemiology of age-related maculopathy: a review[J]. European journal of epidemiology, 2003, 18(9): 845-854, as cited in Shanghai Jiao Tong University. Progress in the study of pathogenesis and therapy of age-related macular degeneration. Available from: <http://wenku.baidu.com/view/20087e9d551810a6f5248678.html>

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- (v) Cipterbin, being the first-to-market anti-HER2 antibody developed by a domestic company for the treatment of HER2-positive metastatic breast cancer patients, reached final approval stage from the NMPA in 2019 and obtained approval from the NMPA in June 2020. Breast cancer is the malignancies with the highest incidence rate for female and one of the types of cancers with relatively more treatment options among many other types of cancers. In recent years, the number of new incidents of breast cancer continued to grow. The report published by the National Cancer Centre in 2019 indicated that the number of new patients with breast cancer in China in 2015 was 304,000². As such, there remains a huge demand for the treatment in relation to clinical practice for HER2-positive breast cancers.

In preparation of the proposed listing of Sunshine Guojian, Dr. Zhu was appointed as the president of R&D in Sunshine Guojian in June 2019, and resigned from his positions as the president of R&D and chief scientific officer of the Company in September 2019. With his vast experience in developing and managing antibody drugs, Dr. Zhu had been instrumental to the development of the pipeline of products of the Group.

3. Reasons for and benefits of the Grant

We understand that the Company believes the ability to attract and retain talented resources and business relationships is vital to its success. Hence, the introduction of the Scheme was to provide additional flexibility for the Company to achieve its objectives to attract and motivate talents and contributors, and to retain them in the Group and to develop and strengthen their relationships with the Group. As stated in the “Letter from the Board” of the Circular, in determining the proposed Grant to Dr. Zhu and the terms of the Grant, the Board has mainly considered Dr. Zhu’s past contribution to the Group, in particular his role as the president of R&D and chief scientific officer of the Company from January 2017 to June 2019.

In assessing the fairness and reasonableness of the Grant, we noted that (i) Dr. Zhu made great contribution to the R&D progress of 32 candidate products of the Group as described under the section headed “2. Information about Dr. Zhu” above; (ii) among the 32 product candidates, Cipterbin developed under his then leadership is the first recombinant humanised anti-HER2 monoclonal antibody approved in the PRC and was successfully launched in June 2020 by Sunshine Guojian for the treatment of HER2-positive metastatic breast cancer; and (iii) Dr. Zhu has applied his extensive expertise in antibody and protein engineering since his postdoctoral work, to lead and build a solid R&D team in the Group.

Given the reform in the PRC pharmaceutical industry and favourable national policy since 2017 as mentioned above, innovative R&D is of increasing significance to compete in the market and antibody drugs market is expected to experience notable growth and stimulate financial performance of the Group. The Management believes, and we concur, that the ability to attract and retain talented resources is vital to high quality R&D and share awards provides additional flexibility for the Company to achieve its objectives to attract and motivate talents and contributors, and to retain them in the Group and to develop and strengthen their relationships with the Group, especially for employees with extensive experience like Dr. Zhu.

In view of the above, we concur with the Management’s view that it is essential for the Group to recognise (i) Dr. Zhu’s instrumental role as the president of R&D and chief scientific officer of the Company from January 2017 to June 2019; and (ii) his past contributions in leading the R&D team to achieve the various product development milestones as described in the section headed “2. Information about Dr. Zhu” above, by rewarding him with the Grant. The Grant can also serve to motivate Dr. Zhu and

2 National Cancer Centre: National Cancer Report 2019

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other employees of the Group to continuously contribute to its long-term future growth, as it demonstrates that the Group recognises great and consistent achievements, the Management is very pragmatic and goal-oriented, and the employees will be rewarded according to their actual past contributions to the Group. Furthermore, as the new Awarded Shares shall be allotted and issued by the Company under the Specific Mandate, there will not be any actual cash outflow by the Group under the award of the Awarded Shares. Accordingly, we are of the view that the Grant is fair and reasonable and is in interests of the Company and the Shareholders as a whole.

4. Principal terms of the Grant under the Scheme

4.1 Market comparables

In order to assess the fairness and reasonableness of the terms of the Grant, we have reviewed recent transactions and conducted a market comparable analysis. The market comparables which we selected are companies that (i) are listed on the Main Board of the Stock Exchange; (ii) are in the pharmaceutical and biotechnology industry; and (iii) had announced connected transactions in relation to the granting of share awards or restricted shares to grantees who are involved in the key operations of the company, since 8 September 2019 and up to the date of the Grant (being a twelve-month period immediately prior to the date of the Grant) (the “**Review Period**”). On such basis, we have identified 16 comparable grants (the “**Comparable Grants**”) made by three comparable companies, namely Innovent Biologics, Inc. (stock code: 1801), Wuxi Biologics (Cayman) Inc. (stock code 2269) and WuXi AppTec Co., Ltd. (stock code: 2359) which we consider to be an exhaustive list of relevant comparable grants based on the abovementioned criteria. We are of the view that a period of the most recent twelve months is adequate to conduct a reasonable comparison between the Awarded Shares and the Comparable Grants.

We noted that the size of the share awards or restricted shares under the Comparable Grants ranged from approximately 0.0001% to approximately 0.1100% of their respective total number of enlarged issued shares. The vesting periods of the share awards or restricted shares under the Comparable Grants ranged from four years to five years. In terms of vesting conditions, 14 out of the 16 Comparable Grants has certain performance-related vesting conditions.

It should be noted that these three comparable companies have different principal activities, revenue, market capitalisation, profitability and financial position as compared with those of the Company, and some of which may be smaller or lower than that of the Company. Circumstances leading to the Comparable Grants may not be identical to those of the Company. The analysis is therefore meant to be used as a general reference to similar types of transactions in Hong Kong to reflect recent market practice.

We have compared the Grant with the Comparable Grants in terms of the size, vesting period and vesting condition. For details of our market comparable analysis, please refer to the sections headed “4.2 The Awarded shares” and “4.3 The vesting period and vesting condition” below.

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4.2 The Awarded Shares

The Company will issue and allot 10,000,000 Awarded Shares to Dr. Zhu. The 10,000,000 Awarded Shares represented (i) approximately 0.3931% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 0.3916% of the total number of Shares in issue as enlarged by the allotment and issue of the new Awarded Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the date of allotment and issue of the Awarded Shares, other than the allotment and issue of the new Awarded Shares). It is noted that the size of the Awarded Shares (in terms of a percentage to the enlarged issued share capital of the comparable companies) is larger than the range of the Comparable Grants of approximately 0.0001% to 0.1100%. However, for reasons discussed below, we consider that the size of the Awarded Shares is fair and reasonable and on normal commercial terms.

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We have compared the background and the fundamentals of the comparable companies to that of the Group. Details of the comparison are set out below:

Table 1:

Name	Principal business activities	Products pipeline	Total no. of employees as at 30 June 2020	No. of employees in R&D team as at 30 June 2020	Revenue for FY2019 (RMB'000)	Net profit/(loss) for FY2019 (RMB'000)	Net assets as at 30 June 2020 (RMB'000)	Market capitalisation as at the date of the Grant (HK\$'million)
Innovent Biologics, Inc. (1801)	Engaged in research and development of antibody and protein medicine products, sale and distribution of pharmaceutical products, and provision of consultation and research and development services	23 as at 26 August 2020 (pre-clinical: 2, clinical/post-clinical: 21)	2,673	751	1,047,525	(1,719,950)	6,404,565	80,485
Wuxi Biologics (Cayman) Inc. (2269)	Engaged in the discovery, research and development, manufacturing and sales of biologics products	286 as at 30 June 2020 (pre-clinical: 141, clinical/post-clinical: 145)	5,694	More than 320	3,983,687	1,010,337	13,778,567	246,517
WuXi AppTec Co., Ltd. (2359)	Engaged in the provision of new drug research and development, production and supporting services, as well as related technology platform services	98 as at 30 June 2020 (pre-clinical: 32, clinical/post-clinical: 66)	22,824	Not available	12,872,206	1,911,409	18,653,138	33,271
Company (1530)	Engaged in the development, production, marketing and sale of pharmaceutical products	32 as at 30 June 2020 (pre-clinical: 8, clinical/post-clinical: 24)	5,437	More than 420	5,318,091	980,228	11,494,158	21,468

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We have also compared the background of the Comparable Grants and their respective grantees to that of the Group. Details of the comparison are set out below:

Table 2:

Name	Date of announcement	Purpose of the grant	No.	Position of grantee	Roles of grantee	Years of service
Innovent Biologics, Inc. (1801)	15 April 2020	(i) Enable the grantee to share the success of the company, in order to assure a closer identification of the interests of such persons with those of the group and stimulate the efforts of such persons on the group's behalf; and (ii) retain and motivate the grantee to participate in the formulation of strategy and long-term development of the company and to recognise their contribution to the growth of the company.	1.	Executive director ("ED"), founder and chief executive officer ("CEO")	Responsible for the overall strategic planning and business direction and management of the company	9
			2.	ED and chief financial officer ("CFO")	Responsible for finance, investor relations and information technology of the group	2
Wuxi Biologics (Cayman) Inc. (2269)	27 March 2020	(i) Recognise and reward the contributions made by the grantees; (ii) encourage, motivate and retain the grantees, whose contributions are beneficial to the continual operation, development and long-term growth of the group; and (iii) provide additional incentive for the grantees to achieve performance goals, with a view to achieving the objectives of increasing the value of the group and aligning the interests of the grantees to the shareholders through ownership of shares.	3.	ED and CEO	Responsible for overall management of the business of the group	9
			4.	ED and chief technology officer	Responsible for overseeing the development and manufacturing of biologics	7

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Name	Date of announcement	Purpose of the grant	No.	Position of grantee	Roles of grantee	Years of service
WuXi AppTec Co., Ltd. (2359)	21 July 2020	<p>(i) Attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the group by providing them with the opportunity to own equity interests in the company;</p> <p>(ii) deepen the reform on the company's remuneration system and to develop and constantly improve the interests balance mechanism among the shareholders, the operational and executive management;</p> <p>(iii) recognise the contributions of the leadership of the company including the directors;</p> <p>(iv) encourage, motivate and retain the leadership of the company whose contributions are beneficial to the continual operation, development and long-term growth of the group; and</p> <p>(v) provide additional incentive for the leadership of the company by aligning the interests of the leadership of the company to that of the shareholders and the group as a whole.</p>	5.	ED, chairman and CEO	Responsible for the overall management of the business of the group	20
			6.	ED, vice chairman and global chief investment officer	Responsible for the overall business and management of the group	13
			7.	ED and co-CEO	Responsible for our commercial operation and research services of the group	6
			8.	ED and vice president	Responsible for the business development of the group	20
			9.	ED and vice president	Responsible for the global human resources management and corporate strategy of the group	16
			10.	CFO	Responsible for the overall management of the group	2
			11.	Vice president and director of a principal subsidiary of the company	Not available	12
			12.	Vice president and director of a principal subsidiary of the company	Not available	16

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Name	Date of announcement	Purpose of the grant	No.	Position of grantee	Roles of grantee	Years of service
			13.	Chairman of the supervisory committee	Responsible for the overall operation of the supervisory committee and supervise the performance of the directors and senior management	15
			14.	Employee representative supervisor	Not available	19
			15.	Senior director of human resources	Not available	Not available
			16.	Supervisor of a principal subsidiary of the company	Not available	Not available
Company (1530)	8 September 2020	Recognise Dr. Zhu's contribution to the Group, in particular his role as the president of R&D and chief scientific officer of the Company in the past few years from January 2017 to June 2019, during which Dr. Zhu had made invaluable contributions to the development of the R&D projects and the commercialisation of products of the Company.	—	The former president of R&D and chief scientific officer of the Company	Responsible for overseeing the R&D department of the Company	3

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With reference to Table 1 and Table 2 above, given that (i) the comparable companies have different principal activities, scale and products pipeline, market capitalisation, profitability, and financial position as compared to those of the Group; and (ii) the circumstances leading to the Comparable Grants (e.g. contributions of grantees to the respective comparable companies, and relevant experience of grantees for the growth and development of the comparable companies) are highly likely to be unique for each company, we are of the view that in assessing the reasonableness of the size of the Awarded Shares, it is not conclusive to strictly compare the size of the Grant (i.e. in terms of a percentage to the enlarged issued share capital) with the Comparable Grants. As such, apart from considering the Comparable Grants, we have also considered Dr. Zhu's actual past contributions to the Group as noted in the section headed "2. Information about Dr. Zhu" above, and compared the Grant with the historical share awards granted to another key contributor of the Group, namely Dr. LOU Jing, the chairman and chief executive officer of the Company, who is responsible for the strategic development and planning, overall operational management and major decision-making of the Group.

According to the 2 July 2019 Announcement, the share awards granted to Dr. LOU Jing under the Sunshine Guojian ESOP was part of the Group's initiatives to further promote the productivity, creativity and continuous performance of Dr. LOU Jing. Dr. LOU Jing was granted with share awards of 25,160,657 shares of Sunshine Guojian (representing approximately 4.54% of the enlarged total issued share capital of Sunshine Guojian of 554,590,271 shares under the Sunshine Guojian ESOP.)

When Dr. LOU Jing was granted with the abovementioned share awards, Sunshine Guojian had not been listed on the STAR Market of the Shanghai Stock Exchange and such share awards were valued at approximately RMB190.0 million on the date of grant (subsequent to Sunshine Guojian's listing in July 2020, the underlying value of Dr. Lou Jing's share awards amount to approximately RMB1,361.2 million by reference to the closing price of the shares of Sunshine Guojian on 22 July 2020, the first day of dealing on STAR Market). Meanwhile, based on the closing price of HK\$8.44 per Share as quoted on the date of the Grant, the underlying value of the 10,000,000 Awarded Shares granted to Dr. Zhu was approximately HK\$84.4 million. As Dr. LOU Jing is the chairman, co-founder and chief executive officer of the Group and has been in charge of the strategic development and planning, overall operational management and major decision-making of the Group, in particular the successful listing of the Company in 2015, we noted that it is the Company's normal practice to reward key contributor of the Group's with share awards having substantial underlying value as an appreciation of their past contributions and achievements.

To further assess the reasonableness of the amount of the Awarded Shares, we have also, based on our best knowledge and information available, identified an exhaustive list of 27 companies (the "**Remuneration Comparables**") that (i) are listed on the Main Board of the Stock Exchange; (ii) are in the pharmaceutical and biotechnology industry; and (iii) are engaged in the research, development and manufacturing of biological substances, and reviewed the remuneration package of key personnel, being executive directors who were in office for a full financial year of these companies. We noted that the annual remuneration of Dr. Zhu of approximately HK\$6.8 million for FY2019 was slightly lower than the average annual remuneration of key personnel of the Remuneration Comparables of approximately HK\$6.9 million for the two years ended 31 December 2019. On the basis that the non-share based remuneration of Dr. Zhu in FY2020 remain similar to that of last year, the annual remuneration, inclusive of the Awarded Shares (based on the closing Share price on the date of the Grant), of Dr. Zhu for FY2020 will be approximately HK\$91.2 million, which is higher than the average but falls within the range of the annual remuneration package (including share-based payments) of key personnel of the Remuneration Comparables, which is between nil and approximately HK\$118.9 million during the two years ended 31 December 2019.

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Given that the Awarded Shares worth of approximately HK\$84.4 million were granted to recognise Dr. Zhu's past contribution from January 2017 to June 2019, in essence the Awarded Shares contribute to approximately HK\$33.8 million of Dr. Zhu's remuneration per year. Although the Awarded Shares worth of approximately HK\$33.8 million per year is still higher than the average annual share-based payments to key personnel of the Remuneration Comparables of approximately HK\$11.4 million during the past two years ended 31 December 2019, we concur with the Management's view that the amount of the Awarded Shares is fair and reasonable comparing to the Remuneration Comparables, in view of the contributions made by Dr. Zhu, the significance of Dr. Zhu to the Company and the relative business scale of the Company.

Having considered the fact that (i) Dr. Zhu made great contribution to the R&D platform of the Group as discussed in the section headed "2. Information about Dr. Zhu" above; (ii) the main objective of the Grant is to honour Dr. Zhu's past achievements to the Company; (iii) the aggregate amount of the underlying value of the Awarded Shares and the annual remuneration of Dr. Zhu is within the range of Remuneration Comparables; and (iv) though the size of the Awarded Shares (in terms of a percentage to the enlarged issued share capital) is larger than the range of the Comparable Grants, it is in-line with the Company's practice of rewarding key contributor of the Group by granting share awards with substantial underlying value as an appreciation of their past contributions and achievements, we are of the view that the size (i.e. 10,000,000 Awarded Shares, representing approximately 0.3916% of the total number of Shares in issue as enlarged by the allotment and issue of the new Awarded Shares) and the underlying value of the Grant is on normal commercial terms and is fair and reasonable as far as the Company and Independent Shareholders are concerned.

4.3 The vesting period and vesting condition

Apart from the conditions precedent set out in the "Letter from the Board" of the Circular, the Grant is not subject to any vesting period or vesting condition. We noted from the section headed "4.1 Market comparables" above, all Comparable Grants have vesting periods ranged from four years to five years, and 14 out of the 16 Comparable Grants have certain performance related vesting conditions.

As illustrated in Table 1 and Table 2 under the section headed "4.2 The Awarded Shares" above, having considered that (i) the comparable companies have different principal activities and financial conditions as compared to those of the Group; (ii) the circumstances leading to the Comparable Grants (e.g. contributions of grantees to the respective comparable companies) are highly likely to be unique for each comparable company; and (iii) the main objective of the Grant is to honour Dr. Zhu's actual past contributions to the Group and relevant achievements, we are of the view that it is reasonable for the Company not to impose any vesting period or vesting condition to the Grant as the Grant aims to reward past instead of prospective contributions and achievements.

In addition, we have considered the terms of the grant of share awards to Dr. LOU Jing under the Sunshine Guojian ESOP in 2019. We noted that the share awards were also not subject to any vesting periods or vesting conditions. Therefore, we consider that it is recognisably the Company's normal practice, and it is also reasonable, to reward key contributors of the Group for their actual past contributions and achievements by granting share awards with no vesting period and vesting condition.

Taking into account the above, we are of the view that the Grant without vesting period and vesting condition is on normal commercial terms and are fair and reasonable as far as the Company and Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.4 Summary

Having considered the factors mentioned above, we concur with the Management's view that the allotment and issue of the Awarded Shares are on normal commercial terms, the terms of the Grant are fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

5. Potential effects as a result of the Grant

5.1 Effect on the shareholding structure of the Company as a result of the Grant

As at the Latest Practicable Date, the Company had 2,543,600,999 Shares in issue. Under the Grant, an aggregate of 10,000,000 new Shares will be issued, representing (i) approximately 0.3931% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 0.3916% of the total issued share capital of the Company as enlarged by the allotment and issue of the Awarded Shares, assuming that there shall be no change in the issued share capital of the Company other than the issue of the Awarded Shares after the Latest Practicable Date and up to the allotment date of the Awarded Shares.

For reference and illustration purposes only, the following table sets out the effect of the allotment and issue of the Awarded Shares on the shareholding structure of the Company assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to the allotment date of the Awarded Shares other than the allotment of the Awarded Shares.

Shareholders	As at the Latest Practicable Date		Immediately upon the allotment and issue of Awarded Shares under the Grant	
	Number of Shares	%	Number of Shares	%
	Decade Sunshine Limited ¹	476,774,553	18.74	476,774,553
CS Sunshine Investment Limited	472,212,360	18.56	472,212,360	18.49
Hero Grand Management Limited ²	49,786,010	1.96	49,786,010	1.95
Directors ³	170,393,881	6.70	171,084,881	6.67
<i>Grantee</i>				
Dr. Zhu	—	—	10,000,000	0.39
Other public shareholders	1,374,434,195	54.04	1,374,434,195	53.82
Total	<u>2,543,600,999</u>	<u>100.00</u>	<u>2,553,600,999</u>	<u>100.00</u>

Notes:

- Decade Sunshine Limited is a company controlled by Dr. LOU Jing.
- 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 the Latest Practicable Date, 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.

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3. *To the best knowledge of the Company, the Directors (other than Dr. LOU Jing), together with a relevant former director and Medical Recovery Limited (which is controlled by three of the Directors), held approximately 6.73% of the total issued share capital of the Company in aggregate as at the Latest Practicable Date.*

As shown in the table above, for illustrative purposes only, the shareholding of the public Shareholders will be diluted from approximately 54.04% to approximately 53.82% immediately upon the allotment and issue of the Awarded Shares under the Grant. Taking into account that (i) the Grant is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Grant are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (iii) the Grant does not affect the Group's cash position, we consider the potential dilution effect on the shareholding interests of the other public Shareholders is acceptable.

5.2 Potential financial effects as a result of the Grant

5.2.1 Effect on the earnings attributable to the equity shareholders of the Group

According to the International Financial Reporting Standards and the accounting policy adopted by the Group, share awards granted to the employees are the amounts to be expensed as staff costs, the amounts of which are determined by reference to the fair value of the share awards granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognised upon the grant of the Awarded Shares, with a corresponding credit to the share award reserve under equity.

Subject to the Grant having been approved by the Independent Shareholders and the allotment and issue of the Awarded Shares having been made on or before 31 December 2020, the value of the Grant will be recognised as an expense to the Company for the year ending 31 December 2020.

5.2.2 Effect on the Group's cashflow

The allotment and issue of the Awarded Shares shall have no effect on the cash flow of the Group other than the staff costs recognised on the vesting date of the Awarded Shares.

5.2.3 Effect on the net asset value attributable to the equity shareholders

As mentioned above, the total expense is recognised upon the grant of the Awarded Shares, with a corresponding credit to the share award reserve under equity. When the awarded shares are allotted and transferred to the grantee, the awarded shares are debited to the share award reserve and the allotted shares are credited to share capital and share premium.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors, we are of the view that the allotment and issue of the Awarded Shares under the Specific Mandate is incidental to the Group's development of its ordinary and usual course of business of the Group and is on normal commercial terms, the terms of the Grant are fair and reasonable in so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Grant and the Specific Mandate at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Leo Tam
Assistant Director

Ms. Jeanny Leung ("Ms. Leung") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

Mr. Leo Tam ("Mr. Tam") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over five years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (iii) were required to notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Shares, underlying shares and debentures of the Company

Name	Position	Nature of interest	Number of Shares or underlying Shares held	Approximate percentage of all Shares in issue ⁽¹⁾
LOU Jing ⁽²⁾	Executive Director	Beneficial owner	660,000(L)	0.03%
		Beneficiary of a trust	49,786,010(L)	1.96%
		Other	<u>476,774,553(L)</u>	<u>18.74%</u>
	Total:		<u>527,220,563(L)</u>	<u>20.73%</u>
SU Dongmei ⁽³⁾	Executive Director	Interest in controlled corporation	24,384,630(L)	0.96%
		Beneficial owner	<u>660,000(L)</u>	<u>0.03%</u>
	Total:		<u>25,044,630(L)</u>	<u>0.98%*</u>
HUANG Bin ⁽⁴⁾	Non-executive Director	Interest in controlled corporation	32,197,350(L)	1.27%

Notes:

(L): denotes long position

* Figures shown as total may not be an arithmetic aggregation of the figures being added up due to rounding adjustment

- (1) The calculation is based on the total number of 2,543,600,999 Shares in issue as at the Latest Practicable Date.
- (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 held 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 held 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).

Interests in the shares, underlying shares and debentures of the associated corporations of the Company — Sunshine Guojian

Name of Director	Nature of interest	Number of shares held in the associated corporation	Approximate percentage of outstanding share capital of the associated corporation (%)
LOU Jing	Interest in controlled corporation	25,160,657(L) ⁽¹⁾	4.08
SU Dongmei	Others ⁽²⁾	200,000(L) ⁽²⁾	0.03

Notes:

(L): denotes long position

- (1) The shares were allotted by Sunshine Guojian to Achieve Well International Limited, a company wholly-owned by Dr. LOU Jing, under the employee share ownership plan (the “ESOP”) adopted by Sunshine Guojian as announced on 2 July 2019 by the Company, for purposes of holding the awarded shares granted to Dr. LOU Jing.
- (2) An ultimate beneficial owner of an interest in a fund (the “Fund”) that is used for holding shares awarded under the ESOP adopted by Sunshine Guojian as announced on 2 July 2019 by the Company, which directly held the awarded shares for the ultimate benefit of Ms. SU Dongmei, being one of the grantees of the awarded shares that have been allotted to the Fund by Sunshine Guojian.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the 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 any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (iii) were required to notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as known to the Directors and chief executive of the Company, the following persons (not being a Director or chief executives of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or was directly or indirectly interested in 10% or more of the issued voting shares of any other member of the Group:

Interests in the Shares and underlying shares of the Company

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)	18.74%
Century Sunshine Limited ("CSL") ⁽²⁾	Interest in a controlled corporation	476,774,553(L)	18.74%
Lambda International Limited ⁽²⁾	Interest in a controlled corporation	476,774,553(L)	18.74%
XING Lily ⁽³⁾	Interest in a controlled corporation ⁽²⁾	476,774,553(L)	18.74%
	Interest of spouse ⁽³⁾	48,606,010(L)	1.91%
	Total:	525,380,563(L)	20.65%*
TMF (Cayman) Ltd. ⁽⁴⁾	Trustee	580,514,043(L)	22.82%
CS Sunshine Investment Limited ⁽⁵⁾	Beneficial owner	472,212,360(L)	18.56%
CPEChina Fund, L.P. ⁽⁵⁾	Interest in a controlled corporation	472,212,360(L)	18.56%

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of all Shares in Issue ⁽¹⁾
CITIC PE Associates, L.P. ⁽⁵⁾	Interest in a controlled corporation	472,212,360(L)	18.56%
CITIC PE Funds Limited ⁽⁵⁾	Interest in a controlled corporation	472,212,360(L)	18.56%
CITICPE Holdings Limited ⁽⁵⁾	Interest in a controlled corporation	472,212,360(L)	18.56%
CLSA Global Investment Management Limited ⁽⁵⁾	Interest in a controlled corporation	472,212,360(L)	18.56%
CITIC Securities International Company Limited ⁽⁵⁾	Interest in a controlled corporation	472,212,360(L)	18.56%
CITIC Securities Company Limited ⁽⁵⁾	Interest in a controlled corporation	472,212,360(L)	18.56%
Gaoling Fund, L.P. ⁽⁶⁾	Beneficial owner	223,514,977(L)	8.79%
Hillhouse Capital Advisors, Ltd. ⁽⁶⁾	Investment manager	229,371,477(L)	9.02%
BlackRock, Inc. ⁽⁷⁾	Interest in a controlled corporation	131,287,196(L) 93,500(S)	5.16% 0.00%
JPMorgan Chase & Co. ⁽⁸⁾	Interest in a controlled corporation	142,140,490(L)	5.59%
		132,498,753(S)	5.21%
	Investment manager	6,890,489(L)	0.27%
	Person having a security interest in shares	86,469,320(L)	3.40%
	Approved lending agent	26,658,997(L)	1.05%
	Total:	262,159,296(L) 132,498,753(S) 26,658,997(P)	10.31%* 5.21% 1.05%

Notes:

(L): denotes long position

(S): denotes short position

(P): denotes lending pool

* Figures shown as total may not be an arithmetic aggregation of the figures being added up due to rounding adjustment

(1) The calculation is based on the total number of 2,543,600,999 Shares in issue as at the Latest Practicable Date.

(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 1.98% of all Shares in issue and in turn, a total deemed interest in 527,220,563 Shares, representing approximately 20.73% of all Shares in issue. Given that the relevant change in percentage of total deemed interest of Ms. XING Lily as a substantial shareholder 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 only reflects that of Ms. XING Lily's interests positions as required to be disclosed under the SFO as at the Latest Practicable Date.

(4) As disclosed in the interim report, TMF (Cayman) Ltd. was the trustee with respect to four unnamed trusts, which respectively were interested in 476,774,553, 37,516,980, 18,276,500, and 47,946,010 Shares, and therefore TMF (Cayman) Ltd. was deemed to be interested in all such Shares. From April 2020 and to the Latest Practicable Date, (i) a total of 1,840,000 shares was purchased by Dr. LOU Jing through an unnamed trust, thereby increasing the interest of such trust to 49,786,010 Shares, (ii) a total of 161,000 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 18,115,500 Shares and (iii) a total of 691,000 Shares were disposed by an unnamed trust, thereby reducing the interest of that unnamed trust to 36,825,980 Shares, thus in turn, the total number of Shares deemed to be the interest held by the trustee was 581,502,043 Shares as at the Latest Practicable Date, representing approximately 22.8614% of all Shares in issue. Given that the relevant change of total deemed interest of TMF (Cayman) Ltd. as a substantial shareholder, 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 only reflects TMF (Cayman) Ltd.'s interests positions as required to be disclosed under the SFO as at the Latest Practicable Date.

(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.

- (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.
- (7) BlackRock, Inc. held its interest and short positions in the Company through multiple entities, among which one of these entities, BlackRock Holdco 2, Inc., had interest in 129,957,196 Shares, representing approximately 5.11% of the total number of issued Shares, and short positions in 93,500 Shares, representing approximately 0.00% of the total number of issued Shares.
- (8) JPMorgan Chase & Co. held its interest and short positions in the Company through multiple entities, among which (i) JPMorgan Chase Bank, National Association, had interest in 209,883,915 Shares, representing approximately 8.25% of the total number of issued Shares, and short positions in 128,929,253 Shares, representing approximately 5.07% of the total number of issued Shares; (ii) each of J.P. Morgan Securities plc, J.P. Morgan Capital Holdings Limited and J.P. Morgan International Finance Limited had interest in 183,224,918 Shares, representing approximately 7.20% of the total number of issued Shares and short positions in 128,929,253 Shares, representing approximately 5.07% of the total number of issued Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Directors and chief executive of the Company, no person (not being a Director or chief executives of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or was directly or indirectly interested in 10% or more of the issued voting shares of any other member of the Group.

(c) Directors' role in substantial shareholders

Dr. LOU Jing, the executive Director and chairman of the Board, is also a director of DSL and CSL. Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date up to which the latest published audited consolidated financial statements of the Group were made.

4. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Altus Capital Limited	corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
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The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which have been since 31 December 2019 (being the date up to which the latest published audited consolidated financial statements of the Company were made) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interests in businesses which competed or might compete with the businesses of the Group or had any other conflict of interests with the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling Shareholder).

8. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2019 (being the date up to which the latest published audited financial statements of the Group were made) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

9. MISCELLANEOUS

- (a) The registered office of the Company in the Cayman Islands is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The head office of the Company is at No. 3 A1, Road 10, Shenyang Economy and Technology Development Zone, Shenyang, the PRC.
- (c) The principal place of business of the Company in Hong Kong is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (d) The company secretary of the Company is Ms. LEUNG Suet Wing, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.
- (e) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) This circular and the accompanying proxy form have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the office of Baker & McKenzie at 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. for a period of 14 days from the date of this circular:

- (a) the letter of grant of the Awarded Shares to Dr. Zhu;
- (b) the rules of the Scheme;
- (c) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (e) the letter of advice from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;
- (f) the written consent referred to in the paragraph headed "Expert" in this appendix; and
- (g) this circular.

NOTICE OF EGM



三生制药
3SBIO INC.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1530)

(Convertible Bonds Code: 40285)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of 3SBio Inc. (the “**Company**”) will be held at No. 3 A1, Road 10, Shenyang Economy and Technology Development Zone, Shenyang, People’s Republic of China on Friday, 6 November 2020 at 10 a.m. (or any adjournment thereof), for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the grant of 10,000,000 awarded shares pursuant to the share award scheme constituted by the rules set out in the scheme document and in the form adopted by the Company on 16 July 2019 to Dr. Zhu Zhenping be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited having granted the approval of the listing of, and permission to deal in 10,000,000 ordinary shares of US\$0.00001 each to be granted to Dr. Zhu Zhenping (the “**Awarded Shares**”) pursuant to the terms and conditions of the letter of grant to Dr. Zhu Zhenping, the board of directors of the Company (the “**Board**”) be and is hereby granted a specific mandate (the “**Specific Mandate**”) to exercise the powers of the Company to allot and issue the Awarded Shares on the terms and for such purposes as set out in the letter of grant to Dr. Zhu Zhenping, where the Specific Mandate is in addition to, and shall not prejudice nor revoke any other general and/or other specific mandate(s) which has/have been granted prior to the passing of this resolution or may from time to time be granted to the Board; and
- (c) the Board or a committee or sub-committee of the Board be and is hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to transactions mentioned in paragraphs (a) and (b) above.”

By order of the Board
3SBio Inc.
LOU Jing
Chairman

Shenyang, the People’s Republic of China
16 October 2020

NOTICE OF EGM

Registered office (in the Cayman Islands):

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head office:

No. 3 A1, Road 10
Shenyang Economy and Technology
Development Zone
Shenyang
The 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

Notes:

1. In order to determine the eligibility to attend and vote at the above meeting, the register of members of the Company will be closed from Tuesday, 3 November 2020 to Friday, 6 November 2020. To qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 2 November 2020.
2. Any member of the Company entitled to attend and vote at the above meeting (or any adjournment of thereof) is entitled to appoint one or more proxies as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. **The Company strongly recommends you to closely monitor the development of the situation with the COVID-19 and to assess, based on the social distancing policies, the necessity for attending the above meeting in person, and the board of Directors respectfully requests that, for the same reason, the shareholders to appoint the chairman of the above meeting as their proxy rather than a third party to attend and vote on their behalf at the above meeting (or any adjournment of that meeting).**
3. In the case of joint registered holders of any shares in the Company, any one of such persons may vote at the above meeting, either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting personally or by proxy, that one so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
4. In order to be valid, the completed form of proxy must be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the above meeting or adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM and any adjournment of that meeting if you so wish, and if such event, the form of proxy will be deemed to be revoked.
5. Pursuant to Rule 13.39(4) of the Listing Rules and article 66(1) of the articles of association of Company, voting for the resolution set out in this notice will be taken by poll at the above meeting.

NOTICE OF EGM

6. Taking into account the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the above meeting against the epidemic to protect the shareholders of the Company from the risk of infection: (i) compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be permitted to access to the meeting venue; (ii) every shareholder or proxy is required to wear surgical face mask throughout the meeting; (iii) no souvenirs will be provided; and (iv) no refreshments will be served.

As at the date of this notice, the directors of the Company are Dr. LOU Jing and Ms. SU Dongmei as executive directors; Mr. HUANG Bin and Mr. TANG Ke as non-executive directors; and Mr. PU Tianruo, Mr. David Ross PARKINSON and Dr. WONG Lap Yan as independent non-executive directors.