Genscript Biotech Corporation
金斯瑞生物科技股份有限公司 *
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1548)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

ANNUAL RESULTS HIGHLIGHTS

- Revenue of the Group for the year ended December 31, 2020 was approximately US$390.8 million, representing an increase of 42.9% as compared with approximately US$273.4 million for the year ended December 31, 2019, among which, the external revenue for non-cell therapy business was approximately US$315.1 million, representing an increase of 45.9% as compared with approximately US$216.0 million for the year ended December 31, 2019, and the external revenue for cell therapy business was approximately US$75.7 million, representing an increase of 31.9% as compared with approximately US$57.4 million for the year ended December 31, 2019.

- Gross profit of the Group for the year ended December 31, 2020 was approximately US$255.9 million, representing an increase of 41.9% as compared with approximately US$180.3 million recorded for the year ended December 31, 2019, among which, the gross profit of non-cell therapy business was approximately US$180.2 million, representing an increase of 46.6% as compared with approximately US$122.9 million for the year ended December 31, 2019, and the gross profit of cell therapy business was approximately US$75.7 million, representing an increase of 31.9% as compared with approximately US$57.4 million for the year ended December 31, 2019.

- Loss of the Group for the year ended December 31, 2020 was approximately US$281.4 million, whilst loss was approximately US$117.5 million for the year ended December 31, 2019, among which, the profit of non-cell therapy business was approximately US$22.1 million, representing an increase of 42.6% as compared with approximately US$15.5 million for the year ended December 31, 2019, and the loss of cell therapy business was approximately US$303.5 million, whilst the loss of cell therapy business was approximately US$133.0 million for the year ended December 31, 2019.

The adjusted net loss of the Group was approximately US$168.9 million, whilst the adjusted net loss of approximately US$110.3 million was recorded for the year ended December 31, 2019, among which, the adjusted net profit of non-cell therapy business was approximately US$44.4 million, representing an increase of 105.6% as compared with approximately US$21.6 million for the year ended December 31, 2019, and the adjusted net loss of cell therapy business was approximately US$213.3 million, whilst the adjusted net loss of cell therapy business was approximately US$131.9 million for the year ended December 31, 2019.

The adjusted net profit in the Group's business excludes: (i) share-based payment expenses, (ii) exchange differences, (iii) consultation expenses for the Investigation (as defined in the announcement of the Company dated September 21, 2020), (iv) impairment loss on goodwill, other intangible assets and long-term investments, (v) fair value loss of convertible redeemable Series A Preference Shares (as defined in the announcement of the Company dated March 31, 2020) by Legend, (vi) service fee for the issuance of Legend Series A Preference Shares, and (vii) spin-off expenses relating to the separate listing of Legend.

During the Reporting Period, the Group invested significantly into research and development activities as well as talent recruitment, both of which are key drivers for a sustainable business growth in the long run. For the year ended December 31, 2020, the Group's research and development expense was approximately US$263.4 million, representing an increase of 41.6% as compared with approximately US$186.0 million for the year ended December 31, 2019, in which the total investment in research and development was approximately US$232.2 million on cell therapy for the year ended December 31, 2020, representing an increase of 43.4% as compared with approximately US$161.9 million for the year ended December 31, 2019.

- Loss attributable to owners of the Company for the year ended December 31, 2020 was approximately US$204.9 million, whilst loss attributable to owners of the Company was approximately US$96.9 million for the year ended December 31, 2019.

Notes:

1.

	For the year ended December 31, 2020		
	Non-cell therapy *US$'000*	**Cell therapy** *US$'000*	**Total** *US$'000*
Net profit/(loss)	**22,054**	**(303,477)**	**(281,423)**
Excluding: Share-based payment expenses, net of tax	**10,904**	**4,760**	**15,664**
Exchange differences, net of tax	**6,526**	**(66)**	**6,460**
Consultation expenses for the Investigation, net of tax	**1,086**	**—**	**1,086**
Impairment loss on goodwill, other intangible assets and long-term investments, net of tax	**3,806**	**—**	**3,806**
Fair value loss of convertible redeemable preferred shares	**—**	**79,984**	**79,984**
Service fee for the issuance of Legend Series A Preference Shares	**—**	**4,014**	**4,014**
Spin-off expenses relating to the separate listing of Legend	**24**	**1,439**	**1,463**
Adjusted net profit/(loss)	**44,400**	**(213,346)**	**(168,946)**

2. *The figures for segment results in this announcement are prior to intra-group eliminations (except otherwise indicated), whereas the figures for segment results in the annual results announcement for the year ended December 31, 2019 of the Company dated March 27, 2020 (the "**Previous Announcement**") were after intra-group eliminations representing sales to external customers only (expected otherwise indicated). Certain comparable figures that were presented in the Previous Announcement have been adjusted in this announcement to conform to the current period's presentation accordingly.*

The board of directors (the "**Directors**") (the "**Board**") of Genscript Biotech Corporation (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2020 (the "**Reporting Period**" or the "**Year**"), together with the comparative figures for the year 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,	
		2020	2019
	Notes	***US$'000***	*US$'000*
REVENUE	*4*	**390,846**	273,354
Cost of sales		**(134,953)**	(93,064)
Gross profit		**255,893**	180,290
Other income and gains	*4*	**24,795**	21,185
Selling and distribution expenses		**(107,341)**	(70,358)
Administrative expenses		**(90,341)**	(55,256)
Research and development expenses		**(263,401)**	(186,022)
Fair value loss of convertible redeemable preferred shares		**(79,984)**	—
Finance costs	*6*	**(5,432)**	(781)
Other expenses		**(15,497)**	(589)
Share of losses of associates	*15*	**(599)**	(308)
Reversal of/(provision for) impairment of financial assets, net		**7**	(1,851)
LOSS BEFORE TAX	*5*	**(281,900)**	(113,690)
Income tax credit/(expense)	*7*	**477**	(3,826)
LOSS FOR THE YEAR		**(281,423)**	(117,516)
Attributable to:			
Owners of the parent		**(204,945)**	(96,912)
Non-controlling interests		**(76,478)**	(20,604)
		(281,423)	(117,516)

	Notes	Year ended December 31, 2020 US$'000	2019 US$'000
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic		**(US10.78 cents)**	(US5.23 cents)
Diluted		**(US10.78 cents)**	(US5.23 cents)
LOSS FOR THE YEAR		**(281,423)**	(117,516)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**22,011**	(4,703)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**22,011**	(4,703)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**—**	61
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**—**	61
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**22,011**	(4,642)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(259,412)**	(122,158)
Attributable to:			
Owners of the parent		**(182,558)**	(101,394)
Non-controlling interests		**(76,854)**	(20,764)
		(259,412)	(122,158)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Year ended December 31,	
		2020	2019
	Notes	***US$'000***	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**345,215**	235,986
Advance payments for property, plant and equipment		**5,906**	8,585
Investment properties	*11*	**7,726**	7,442
Right-of-use asset	*12*	**34,017**	29,642
Goodwill	*13*	**14,116**	15,245
Other intangible assets	*14*	**26,020**	25,482
Investment in associates	*15*	**3,433**	2,615
Financial assets at fair value through profit or loss	*16*	**10,555**	4,667
Other non-current asset	*20*	**3,542**	—
Deferred tax assets	*28*	**3,702**	5,701
Total non-current assets		**454,232**	335,365
CURRENT ASSETS			
Inventories	*17*	**31,745**	16,486
Contract costs	*18*	**5,785**	3,369
Trade and notes receivables	*19*	**141,748**	73,067
Prepayments, other receivables and other assets	*20*	**32,834**	31,621
Financial assets at fair value through profit or loss	*16*	**5,866**	25,434
Loans to an associate	*15*	**2,422**	2,007
Restricted cash	*21*	**7,471**	972
Time deposits	*22*	**136,245**	148,693
Cash and cash equivalents	*22*	**629,058**	252,397
Total current assets		**993,174**	554,046

		Year ended December 31,	
		2020	2019
	Notes	***US$'000***	*US$'000*
CURRENT LIABILITIES			
Trade and bills payables	*23*	**23,376**	17,627
Other payables and accruals	*24*	**168,980**	125,035
Interest-bearing bank borrowings	*25*	**44,642**	17,008
Lease liabilities	*12*	**2,588**	1,769
Tax payable		**3,532**	2,846
Contract liabilities	*26*	**84,414**	60,130
Government grants	*27*	**379**	90
Total current liabilities		**327,911**	224,505
NET CURRENT ASSETS		**665,263**	329,541
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,119,495**	664,906
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*25*	**1,260**	1,748
Lease liabilities	*12*	**6,513**	3,608
Contract liabilities	*26*	**277,052**	277,827
Deferred tax liabilities	*28*	**7,030**	5,582
Government grants	*27*	**11,495**	3,843
Other non-current liability		**554**	—
Total non-current liabilities		**303,904**	292,608
NET ASSETS		**815,591**	372,298
EQUITY			
Equity attributable to owners of the parent			
Share capital	*29*	**1,954**	1,879
Treasury shares	*29*	**(16,712)**	(7,774)
Reserves		**916,463**	388,699
		901,705	382,804
Non-controlling interests		**(86,114)**	(10,506)
TOTAL EQUITY		**815,591**	372,298

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2020

	Attributable to owners of the parent										
	Share capital *US$'000*	Treasury shares *US$'000*	Share premium* *US$'000*	Merger reserve* *US$'000*	Share option reserve* *US$'000*	Statutory surplus reserve* *US$'000*	Retained Earnings/ (accumulated losses)* *US$'000*	Exchange fluctuation reserve* *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total equity *US$'000*
At January 1, 2020 (Audited)	**1,879**	**(7,774)**	**368,781**	**(20,883)**	**27,651**	**14,359**	**15,580**	**(16,789)**	**382,804**	**(10,506)**	**372,298**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(204,945)**	**—**	**(204,945)**	**(76,478)**	**(281,423)**
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**22,387**	**22,387**	**(376)**	**22,011**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(204,945)**	**22,387**	**(182,558)**	**(76,854)**	**(259,412)**
Acquisition of equity by non-controlling shareholders	**—**	**—**	**372**	**—**	**—**	**—**	**—**	**—**	**372**	**145**	**517**
Issue of ordinary shares for initial public offering of Legend Cayman	**—**	**—**	**690,519**	**—**	**—**	**—**	**—**	**—**	**690,519**	**—**	**690,519**
Shares repurchased	**—**	**(9,460)**	**—**	**—**	**—**	**—**	**—**	**—**	**(9,460)**	**—**	**(9,460)**
Equity-settled share-based compensation expense	**—**	**—**	**—**	**—**	**17,637**	**—**	**—**	**—**	**17,637**	**—**	**17,637**
Exercise of share options and restricted share units	**75**	**522**	**14,506**	**—**	**(5,081)**	**—**	**—**	**—**	**10,022**	**—**	**10,022**
Dividends paid to non-controlling shareholders	**—**	**—**	**(7,631)**	**—**	**—**	**—**	**—**	**—**	**(7,631)**	**1,101**	**(6,530)**
At December 31, 2020	**1,954**	**(16,712)**	**1,066,547**	**(20,883)**	**40,207**	**14,359**	**(189,365)**	**5,598**	**901,705**	**(86,114)**	**815,591**

* These reserve accounts comprise the consolidated reserves of US$916,463,000 (For the year ended December 31, 2019: US$388,699,000) in the consolidated statement of financial position.

Year ended December 31, 2019

	Attributable to owners of parent											
	Share capital *US$'000*	Treasury shares *US$'000*	Share premium *US$'000*	Merger reserve *US$'000*	Share option reserve *US$'000*	Statutory surplus reserves *US$'000*	Fair value reserve of financial assets at fair value through other comprehe-nsive income *US$'000*	Retained earnings *US$'000*	Exchange fluctuation reserve *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total equity *US$'000*
At January 1, 2019 (Audited)	1,836	—	364,100	(20,883)	18,955	14,359	(11)	112,442	(12,246)	478,552	14,635	493,187
Loss for the year	—	—	—	—	—	—	—	(96,912)	—	(96,912)	(20,604)	(117,516)
Other comprehensive loss for the year:												
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—		—	—	—	—	61	—	—	61	—	61
Disposal of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	(50)	50	—	—	—	—
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(4,543)	(4,543)	(160)	(4,703)
Total comprehensive loss for the year	—	—	—	—	—	—	11	(96,862)	(4,543)	(101,394)	(20,764)	(122,158)
Purchases of non-controlling interests of the subsidiary	—	—	(1,588)	—	—	—	—	—	—	(1,588)	(4,377)	(5,965)
Acquisition of equity by non-controlling shareholders	—	—	383	—	—	—	—	—	—	383	—	383
Equity-settled share-based compensation expense	—	—	—	—	10,782	—	—	—	—	10,782	—	10,782
Shares repurchased	—	(7,774)	—	—	—	—	—	—	—	(7,774)	—	(7,774)
Exercise of share options	43	—	5,886	—	(2,086)	—	—	—	—	3,843	—	3,843
At December 31, 2019	1,879	(7,774)	368,781	(20,883)	27,651	14,359	—	15,580	(16,789)	382,804	(10,506)	372,298

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2020	2019
	US$'000	*US$'000*
Net cash flows used in operating activities	**(151,093)**	(29,955)
Net cash flows used in investing activities	**(100,166)**	(208,633)
Net cash flows generated from/(used in) financing activities	**624,203**	(2,778)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	**372,944**	(241,366)
Net foreign exchange difference	**3,717**	(795)
Cash and cash equivalents at beginning of year	**252,397**	494,558
CASH AND CASH EQUIVALENTS AT END OF YEAR	**629,058**	252,397

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on May 21, 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The address of its registered office was 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grant Cayman KY1-1002, Cayman Islands.

The Company's shares have been listed on the Main Board of the Stock Exchange since December 30, 2015.

The Group is a well-recognized life-science services and products provider that applies its proprietary technology to various fields from basic life-science research to translational biomedical development, biologic development service, industrial synthetic products, and cell therapy solutions.

These consolidated financial statements are presented in United States dollars ("**US$**"), unless otherwise stated, and were approved for issue by the Board on March 26, 2021.

2. BASIS OF PREPARATION

2.1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for wealth management products and equity investments which have been measured at fair value. These financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2. Changes in accounting policy and disclosures

The Group has adopted the following new and revised HKFRSs for the current year's financial statements.

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

3. SEGMENT INFORMATION

The segment information for the year ended December 31, 2020, is as follows:

	Life-science services and products *US$'000*	Biologics development services *US$'000*	Industrial synthetic biology products *US$'000*	Cell therapy *US$'000*	Operation unit *US$'000*	Eliminations *US$'000*	Total *US$'000*
Segment revenue							
Sales to external customers	**246,502**	**39,691**	**28,582**	**75,676**	**395**	**—**	**390,846**
Intersegment sales	**3,315**	**735**	**323**	**—**	**7,364**	**(11,737)**	**—**
Total revenue	**249,817**	**40,426**	**28,905**	**75,676**	**7,759**	**(11,737)**	**390,846**
Segment cost of sales	**(84,472)**	**(30,492)**	**(20,296)**	**—**	**(2,710)**	**3,017**	**(134,953)**
Segment gross profit	**165,345**	**9,934**	**8,609**	**75,676**	**5,049**	**(8,720)**	**255,893**
Other income and gains	**—**	**—**	**801**	**6,119**	**18,286**	**(411)**	**24,795**
Selling and distribution expenses	**(48,475)**	**(5,915)**	**(3,589)**	**(49,571)**	**—**	**209**	**(107,341)**
Administrative expenses	**(8,471)**	**(2,602)**	**(3,020)**	**(23,124)**	**(56,607)**	**3,483**	**(90,341)**
Research and development expenses	**(21,334)**	**(10,048)**	**(4,887)**	**(232,160)**	**—**	**5,028**	**(263,401)**
Fair value loss of convertible redeemable preferred shares	**—**	**—**	**—**	**(79,984)**	**—**	**—**	**(79,984)**
Finance costs	**—**	**—**	**(176)**	**(4,209)**	**(1,156)**	**109**	**(5,432)**
Other expenses	**(3,559)**	**—**	**(525)**	**(346)**	**(11,369)**	**302**	**(15,497)**
Share of profits and losses of associates	**—**	**—**	**11**	**—**	**(610)**	**—**	**(599)**
(Provision for)/ reversal of impairment of financial assets, net	**(1,072)**	**1,033**	**69**	**(23)**	**—**	**—**	**7**
Profit/(loss) before tax	**82,434**	**(7,598)**	**(2,707)**	**(307,622)**	**(46,407)**	**—**	**(281,900)**
Income tax (expense)/credit	**—**	**—**	**(461)**	**4,145**	**—**	**—**	**3,684**
Unallocated income tax expense	**—**	**—**	**—**	**—**	**—**	**—**	**(3,207)**
Profit/(loss) for the year	**82,434**	**(7,598)**	**(3,168)**	**(303,477)**	**(46,407)**	**—**	**(281,423)**

The segment information for the year ended December 31, 2019, is as follows:

	Life-science services and products *US$'000*	Biologics development services *US$'000*	Industrial synthetic biology products *US$'000*	Cell therapy *US$'000*	Operation unit *US$'000*	Eliminations *US$'000*	Total *US$'000*
Segment revenue							
Sales to external customers	170,399	22,450	23,106	57,399	—	—	273,354
Intersegment sales	2,617	241	215	3	5,429	(8,505)	—
Total revenue	173,016	22,691	23,321	57,402	5,429	(8,505)	273,354
Segment cost of sales	(60,243)	(16,675)	(17,898)	—	(1,002)	2,754	(93,064)
Segment gross profit	112,773	6,016	5,423	57,402	4,427	(5,751)	180,290
Other income and gains	—	—	1,019	6,987	15,525	(2,346)	21,185
Selling and distribution expenses	(37,498)	(2,379)	(3,867)	(25,620)	(1,395)	401	(70,358)
Administrative expenses	(6,249)	(1,921)	(2,530)	(6,752)	(38,652)	848	(55,256)
Research and development expenses	(14,646)	(9,615)	(4,320)	(161,943)	—	4,502	(186,022)
Finance costs	—	—	(372)	(223)	(186)	—	(781)
Other expenses	—	—	(324)	(221)	(2,390)	2,346	(589)
Share of profits and losses of associates	—	—	25	—	(333)	—	(308)
Provision for impairment of financial assets, net	(461)	(1,268)	(122)	—	—	—	(1,851)
Profit/(loss) before tax	53,919	(9,167)	(5,068)	(130,370)	(23,004)	—	(113,690)
Income tax credit/(expense)	—	—	511	(2,602)	—	—	(2,091)
Unallocated income tax expense	—	—	—	—	—	—	(1,735)
Profit/(loss) for the year	53,919	(9,167)	(4,557)	(132,972)	(23,004)	—	(117,516)

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of services provided and goods sold after allowances for returns and trade discounts during the year.

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Revenue from contracts with customers	**390,333**	272,977
Revenue from other sources		
Gross rental income from operating leases	**513**	377
	390,846	273,354
Other income and gains		
Government grants	**13,197**	7,966
Bank interest income	**4,298**	8,350
Investment income	**3,707**	—
Fair value gains on financial assets at fair value change through profit or loss	**2,426**	1,041
Foreign currency exchange gain, net	**—**	3,623
Others	**1,167**	205
	24,795	21,185

5. LOSS BEFORE TAX

	Notes	Year ended December 31, 2020 US$'000	2019 US$'000
Cost of inventories sold		**16,611**	14,689
Cost of services provided		**53,721**	68,017
Depreciation of property plant and equipment	*11*	**27,341**	17,361
Depreciation of investment properties	*12*	**125**	102
Depreciation of right-of-use assets	*13*	**2,493**	1,376
Amortisation of other intangible assets	*15*	**2,936**	1,803
Impairment of financial and contract assets, net:			
(Reversal of)/provision for impairment of trade receivables		**(644)**	1,851
Impairment of financial assets included in prepayments, other receivables and other assets		**637**	—
Impairment losses of goodwill	*14*	**1,264**	—
Impairment losses of other intangible assets	*15*	**2,295**	—
Impairment of investment of associates	*16*	**627**	—
Lease payments not included in the measurement of lease liabilities	*13*	**1,744**	914
Auditors' remuneration		**576**	520
Employee benefit expenses (excluding directors' remuneration):			
Wages and salaries		**201,223**	130,457
Pension scheme contributions (defined contribution)		**5,443**	10,784
Equity-settled share-based compensation expenses		**17,091**	10,452
		223,757	151,693
Foreign exchange differences, net		**8,891**	(3,623)
Loss on disposal of property, plant and equipment		**1,108**	153
Spin-off expenses relating to the separate listing of Legend		**1,463**	—
Service fee for the issuance of Legend Series A preferred shares		**4,014**	—
Fair value loss of convertible redeemable preferred shares		**79,984**	—
(Reversal of)/write-down of inventories to net realisable value		**(294)**	992

6. FINANCE COSTS

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Service fee for the issuance of Legend Series A preferred shares	**4,014**	—
Interest on bank loans	**1,066**	469
Interest on lease liabilities	**352**	312
	5,432	781

7. INCOME TAX (CREDIT)/EXPENSE

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Current — Mainland China	**900**	(253)
Current — Elsewhere	**(4,627)**	(3,617)
Deferred	**3,250**	7,696
Income tax (credit) / expense	**(477)**	3,826

8. DIVIDENDS

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Dividends on ordinary shares during the year	**14,879**	—

On 5 June 2020, the board of directors declared a special dividend to the shareholders of the Company in connection with the spin-off and separate listing of Legend Biotech Corporation on the NASDAQ global market.

The board of directors has resolved not to declare any dividend for the year ended December 31, 2020 (For the year ended December 31, 2019: Nil)

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,900,787,442 (2019: 1,853,927,485) in issue during the year.

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

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

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(204,945)**	(96,912)
	Number of Shares	
Shares		
Weighted average number of ordinary shares in issue during the year	**1,907,951,001**	1,855,261,389
Effect of shares repurchased	**(7,163,559)**	(1,333,904)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,900,787,442**	1,853,927,485

* The diluted loss per share is the same as the basic loss per share because the effect of share option was anti-dilutive for the years ended December 31, 2020 and 2019.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *US$'000*	Machinery and equipment *US$'000*	Motor vehicles *US$'000*	Computer and office equipment *US$'000*	Construction in progress *US$'000*	Total *US$'000*
December 31, 2020						
At December 31, 2019, and at January 1, 2020:						
Cost	**129,433**	**106,953**	**654**	**9,961**	**40,321**	**287,322**
Accumulated depreciation and impairment	**(11,655)**	**(32,837)**	**(335)**	**(6,509)**	**—**	**(51,336)**
Net carrying amount	**117,778**	**74,116**	**319**	**3,452**	**40,321**	**235,986**
At January 1, 2020, net of accumulated depreciation and impairment	**117,778**	**74,116**	**319**	**3,452**	**40,321**	**235,986**
Additions	**62**	**1,052**	**—**	**732**	**123,017**	**124,863**
Disposals	**(544)**	**(758)**	**—**	**(11)**	**—**	**(1,313)**
Depreciation provided during the year	**(7,452)**	**(16,899)**	**(54)**	**(2,936)**	**—**	**(27,341)**
Exchange realignment	**5,664**	**3,807**	**19**	**62**	**3,482**	**13,034**
Transfers to investment Properties	**(14)**	**—**	**—**	**—**	**—**	**(14)**
Transfers	**40,388**	**56,625**	**—**	**3,367**	**(100,380)**	**—**
At December 31, 2020, net of accumulated depreciation and impairment	**155,882**	**117,943**	**284**	**4,666**	**66,440**	**345,215**
At December 31, 2020:						
Costs	**175,824**	**168,926**	**700**	**14,447**	**66,440**	**426,337**
Accumulated depreciation and impairment	**(19,942)**	**(50,983)**	**(416)**	**(9,781)**	**—**	**(81,122)**
Net carrying amount	**155,882**	**117,943**	**284**	**4,666**	**66,440**	**345,215**

As at December 31, 2020, assets with a net book value US$4,262,00 were pledged as security for interest-bearing bank loans (2019: US$4,105,000).

	Land and buildings *US$'000*	Machinery and equipment *US$'000*	Motor vehicles *US$'000*	Computer and office equipment *US$'000*	Construction in progress *US$'000*	Total *US$'000*
December 31, 2019						
At December 31, 2018, and at January 1, 2019:						
Cost	76,514	62,540	583	7,842	46,072	193,551
Accumulated depreciation and impairment	(6,982)	(23,416)	(293)	(4,847)	—	(35,538)
Net carrying amount	69,532	39,124	290	2,995	46,072	158,013
At January 1, 2019, net of accumulated depreciation and impairment	69,532	39,124	290	2,995	46,072	158,013
Additions	13,576	168	37	358	91,938	106,077
Disposals	(26)	(481)	(1)	(9)	—	(517)
Depreciation provided during the year	(4,856)	(10,670)	(58)	(1,777)	—	(17,361)
Exchange realignment	(577)	(640)	(5)	(38)	(1,422)	(2,682)
Transfers to investment properties	(7,544)	—	—	—	—	(7,544)
Transfers	47,673	46,615	56	1,923	(96,267)	—
At December 31, 2019, net of accumulated depreciation and impairment	117,778	74,116	319	3,452	40,321	235,986
At December 31, 2019:						
Costs	129,433	106,953	654	9,961	40,321	287,322
Accumulated depreciation and impairment	(11,655)	(32,837)	(335)	(6,509)	—	(51,336)
Net carrying amount	117,778	74,116	319	3,452	40,321	235,986

11. INVESTMENT PROPERTIES

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Carrying amount at January 1	**7,442**	—
Transfer from owner-occupied property	**14**	7,544
Depreciation provided during the year	**(125)**	(102)
Exchange realignment	**395**	—
Carrying amount at December 31	**7,726**	7,442

As at December 31, 2020, investment properties with a carrying amount of approximately US$7,726,000 (2019: US$7,442,000) were pledged as collateral of the Group's bank borrowings.

12. LEASE

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments	**Land and Buildings**	**Total**
	US$'000	***US$'000***	***US$'000***
As at January 1, 2019	**17,806**	**5,822**	**23,628**
Additions	**6,824**	**855**	**7,679**
Depreciation charge	**(420)**	**(956)**	**(1,376)**
Exchange realignment	**(289)**	**—**	**(289)**
As at December 31, 2019 and January 1, 2020	**23,921**	**5,721**	**29,642**
Additions	**—**	**5,305**	**5,305**
Covid-19-related rent concessions from lessors	**—**	**(48)**	**(48)**
Depreciation charge	**(516)**	**(1,977)**	**(2,493)**
Exchange realignment	**1,192**	**419**	**1,611**
As at December 31, 2020	**24,597**	**9,420**	**34,017**

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020	2019
	US$'000	*US$'000*
Carrying amount at January 1,	**5,377**	5,934
New leases	**5,305**	7,679
Covid-19-related rent concessions from lessors	**(48)**	—
Accretion of interest recognised during the year	**352**	312
Payments	**(2,227)**	(8,548)
Exchange realignment	**342**	—
Carrying amount at December 31	**9,101**	5,377
Analysed into:		
Current portion	**2,588**	1,769
Non-current portion	**6,513**	3,608
As at December 31, 2020	**9,101**	5,377

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020	2019
	US$'000	*US$'000*
Interest on lease liabilities	**352**	312
Depreciation charge of right-of-use assets	**2,493**	1,376
Expense relating to short-term leases and leases of low-value assets	**1,744**	914
Covid-19-related rent concessions from lessors	**(48)**	—
Total amount recognized in profit or loss	**4,541**	2,602

The Group as a lessor

The Group leases its investment properties (note 11) consisting of one commercial property in Japan, right-of-use assets (note 12) consisting of car parking space in Ireland, buildings and machinery and equipment (note 10) consisting of a boiler plant and its related equipment in Mainland China under operating lease arrangements. Rental income recognised by the Group during the year was US$513,000 (2019: 377,000), details of which are included in note 4 to the financial statements.

As at December 31, 2020, the undiscounted minimum lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020	2019
	US$'000	*US$'000*
Within one year	**133**	322
After one year but within two years	**—**	116
	133	438

13. Goodwill

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Cost and net carrying amount at January 1,	**15,245**	15,287
Impairment during year	**(1,264)**	—
Exchange realignment	**135**	(42)
Net carrying amount at December 31	**14,116**	15,245

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit for impairment testing:

Life-science services and products cash-generating unit

The recoverable amount of the life-science services and products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 15% to 23% (2019: 16% to 23%) (Purui: 15%; CustomArray: 23%). The growth rate used to extrapolate the cash flows of the life-science services and products unit beyond the five-year period is 0% to 3% (2019: 0% to 3%) (Purui: 3%; CustomArray: 0%), which is the same as the long-term growth rate of the industry.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Purui		**CustomArray**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Carrying amount of goodwill	**—**	1,224	**12,644**	12,644	**12,644**	13,868

Industrial synthetic biology products cash-generating unit

The recoverable amount of the industrial synthetic biology products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16% (2019: 16%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 3% (2019: 3%), which is the same as the long-term growth rate of the industry.

The carrying amount of goodwill allocated to the cash-generating unit is as follows:

	Jinan Bestzyme	
	2020	2019
	US$'000	*US$'000*
Carrying amount of goodwill	**1,472**	1,377

Assumptions were used in the value in use calculation of the three cash-generating unit for December 31, 2020 and December 31, 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of life-science services and products and industrial synthetic biology products and discount rates are consistent with external information sources.

14. OTHER INTANGIBLE ASSETS

	Software	Patents and licenses	Customer relationship	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
December 31, 2020				
Cost at January 1, 2020, net of accumulated amortisation	**860**	**24,526**	**96**	**25,482**
Additions	**1,010**	**4,858**	**—**	**5,868**
Amortisation provided during the year	**(564)**	**(2,357)**	**(15)**	**(2,936)**
Disposal	**—**	**(28)**	**—**	**(28)**
Impairment during the year	**—**	**(2,295)**	**—**	**(2,295)**
Exchange realignment	**86**	**(163)**	**6**	**(71)**
At December 31, 2020	**1,392**	**24,541**	**87**	**26,020**
At December 31, 2020				
Cost	**3,352**	**33,206**	**158**	**36,716**
Accumulated amortisation and impairment	**(1,960)**	**(8,665)**	**(71)**	**(10,696)**
Net carrying amount	**1,392**	**24,541**	**87**	**26,020**
December 31, 2019				
Cost at January 1, 2019, net of accumulated amortisation	884	18,645	113	19,642
Additions	273	8,034	—	8,307
Amortisation provided during the year	(282)	(1,506)	(15)	(1,803)
Exchange realignment	(15)	(647)	(2)	(664)
At December 31, 2019	860	24,526	96	25,482
At December 31, 2019				
Cost	2,172	27,703	148	30,023
Accumulated amortisation	(1,312)	(3,177)	(52)	(4,541)
Net carrying amount	860	24,526	96	25,482

15. INVESTMENTS IN ASSOCIATES

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Share of net assets	**4,060**	2,615
Impairment loss during the year	**(627)**	—
Net carrying amount	**3,433**	2,615
Loans to an associate	**2,422**	2,007

The loans to an associate was unsecured, interest-bearing and repayable within one year. There was no recent history of default and past due amounts for loans to associates. As at December 31, 2020, the loss allowance was assessed to be minimal.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Share of the associates' loss for the year	**(599)**	(308)
Share of the associates' total comprehensive loss	**(599)**	(308)
Aggregate carrying amount of the Group's investments in the associates	**3,433**	2,615

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Unlisted equity investments, at fair value	**10,555**	4,667
Investment in financial products, at fair value	**5,866**	25,434
	16,421	30,101

The above equity investments at December 31, 2020 and 2019 were classified as financial assets at fair value through profit or loss as they were held for trading.

The above investment in financial products at December 31, 2020 and 2019 were wealth management products issued by banks in China and Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

17. INVENTORIES

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Raw materials	**13,556**	5,128
Work in progress	**6,451**	3,260
Finished goods	**13,980**	10,634
	33,987	19,022
Less: Provision for inventories	**(2,242)**	(2,536)
	31,745	16,486

18. CONTRACT COSTS

	2020	2019
	US$'000	*US$'000*
Costs to fulfil contracts	**5,785**	3,369

19. TRADE AND NOTES RECEIVABLES

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Trade receivables	**140,266**	74,107
Notes receivable	**4,708**	3,396
	144,974	77,503
Less: Impairment of trade receivables	**(3,226)**	(4,436)
	141,748	73,067

As at December 31, 2020 and 2019, the ageing analysis of the trade receivables based on invoice date was as follows:

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Within 3 months	**133,185**	68,034
3 to 6 months	**1,652**	1,585
6 to 12 months	**1,894**	2,145
Over 1 year	**3,535**	2,343
	140,266	74,107

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Current

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
VAT recoverable	**10,875**	9,175
Tax refund	**6,348**	—
Prepayments	**5,887**	8,199
Prepaid expense	**3,676**	1,847
Other receivables	**2,702**	1,925
Interest receivable	**1,646**	1,730
Prepaid income tax	**1,734**	8,779
	32,868	31,655
Less: Impairment of other receivables	**(34)**	(34)
	32,834	31,621

Non-current

	2020	2019
	US$'000	*US$'000*
VAT recoverable	**3,542**	—

21. RESTRICTED CASH

	2020	2019
	US$'000	*US$'000*
Frozen for the Investigation	**4,245**	—
Pledged for bills payable	**2,970**	716
Pledged for credit cards	**256**	256
	7,471	972

On September 17, 2020, the Customs Anti-Smuggling Department (the "**Authority**") of the People's Republic of China ("**PRC**") inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understands to be an investigation (the "**Investigation**") relating to suspected violations of import and export regulations under the laws of the PRC. At the end of the year, the bank balances frozen for the Investigation were approximately US$4,245,000.

As at December 31, 2020, bank balances of approximately US$2,970,000 were pledged by China entities for notes payable and of approximately US$ 256,000 were pledged by Legend USA for credit cards.

22. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Cash and bank balances	**629,058**	252,397
Time deposits	**136,245**	148,693
	765,303	401,090
Less: Time deposits	**(136,245)**	(148,693)
Cash and cash equivalents	**629,058**	252,397

23. TRADE AND BILLS PAYABLES

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Trade payables	**19,986**	14,559
Bills payable	**3,390**	3,068
	23,376	17,627

As at December 31, 2020 and 2019, the ageing analysis of the trade payables based on invoice date is as follows:

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Within 3 months	**18,880**	13,666
3 to 6 months	**351**	678
6 to 12 months	**510**	105
Over 1 year	**245**	110
	19,986	14,559

The trade payables are non-interest-bearing and are normally settled on turnover of 30 to 90 days.

24. OTHER PAYABLES AND ACCRUALS

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Accrued expenses	**68,874**	64,740
Accrued payroll — current	**40,697**	23,210
Payables for purchases of machinery and construction of buildings	**35,801**	32,560
Other payables	**18,779**	3,327
Taxes payable other than corporate income tax	**4,829**	1,198
	168,980	125,035

25. INTEREST-BEARING BANK BORROWINGS

	Year ended December 31,					
	2020			2019		
	Effective interest rate (%)	**Maturity**	***US$'000***	Effective interest rate (%)	Maturity	*US$'000*
Current						
Bank loans — unsecured	**0.6–3.5**	**2021**	**44,061**	2.4–3.8	2020	16,456
Current portion of long term bank loans — secured	**0.32**	**2021**	**581**	0.32	2020	552
			44,642			17,008
Non-current						
Non-current portion of long term bank loans — secured	**0.32**	**2022–2024**	**1,260**	0.32	2021–2024	1,748

26. CONTRACT LIABILITIES

	December 31, 2020 ***US$'000***	December 31, 2019 *US$'000*
Non-current contract liabilities		
License and collaboration revenue	**277,052**	277,827
Current contract liabilities		
License and collaboration revenue	**55,014**	46,294
Rendering of services	**29,143**	13,403
Sales of products	**257**	433
	84,414	60,130
Total contract liabilities	**361,466**	337,957

Contract liabilities include advances received/due for payment at the end of each year. Contract liabilities are recognized as revenue upon the Group satisfying its performance obligations under the agreement.

27. GOVERNMENT GRANTS

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
At January 1	**3,933**	4,116
Grants received during the year	**7,969**	—
Amount released	**(290)**	(111)
Exchange realignment	**262**	(72)
At December 31	**11,874**	3,933
Current	**379**	90
Non-current	**11,495**	3,843
	11,874	3,933

The grants were related to the subsidies received from local government authorities for the purpose of compensation for expenditure on certain facilities, and they were credited to a deferred income account. The grants were released to the statement of profit or loss over the expected useful lives of the relevant assets. The Group also received certain financial subsidies from local government authorities to support local business. There were no unfulfilled conditions or other contingencies attached to these government grants. These government grants were recognized in the statement of profit or loss upon receipt.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation *US$'000*	Fair value adjustments arising from acquisition of a subsidiary *US$'000*	Unrealised loss from intercompany transactions *US$'000*	Unrealized fair value of financial assets through profit or loss *US$'000*	Total *US$'000*
At January 1, 2020	**2,777**	**3,747**	**531**	**—**	**7,055**
Deferred tax charged/(credited) to the statement of profit or loss during the year	**13,621**	**(722)**	**(531)**	**201**	**12,569**
Exchange realignment	**554**	**(22)**	**—**	**(3)**	**529**
Gross deferred tax liabilities at December 31, 2020	**16,952**	**3,003**	**—**	**198**	**20,153***
At January 1, 2019	46	4,017	—	—	4,063
Deferred tax charged/(credited) to the statement of profit or loss during the year	2,762	(267)	531	—	3,026
Exchange realignment	(31)	(3)	—	—	(34)
Gross deferred tax liabilities at December 31, 2019	2,777	3,747	531	—	7,055

Deferred tax assets

	Accrued expense *US$'000*	Decelerated depreciation for tax purposes *US$'000*	Impairment of assets *US$'000*	Unrealised profit from intercompany transactions *US$'000*	Government grants *US$'000*	Losses available for offsetting against future taxable profits *US$'000*	Unrealized fair value of financial assets at fair value through profit or loss *US$'000*	Total *US$'000*
At January 1, 2020	**1,183**	**—**	**1,271**	**1,194**	**963**	**2,554**	**9**	**7,174**
Deferred tax credited/(charged) to the statement of profit or loss during the year	**795**	**—**	**(579)**	**545**	**323**	**8,244**	**(9)**	**9,319**
Exchange realignment	**109**	**—**	**62**	**—**	**78**	**83**	**—**	**332**
Gross deferred tax assets at December 31, 2020	**2,087**	**—**	**754**	**1,739**	**1,364**	**10,881**	**—**	**16,825***
At January 1, 2019	1,101	103	1,265	8,076	617	726	—	11,888
Deferred tax credited/(charged) to the statement of profit or loss during the year	97	(112)	17	(6,882)	359	1,842	9	(4,670)
Exchange realignment	(15)	9	(11)	—	(13)	(14)	—	(44)
Gross deferred tax assets at December 31, 2019	1,183	—	1,271	1,194	963	2,554	9	7,174

* Deferred tax liabilities and deferred tax assets amounted to about US$13,123,000 (2019: US$1,473,000) were net off in subsidiaries' financial statements.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Net deferred tax liabilities recognized in the consolidated statement of financial position	**7,030**	5,582
Net deferred tax assets recognized in the consolidated statement of financial position	**3,702**	5,701

29. SHARE CAPITAL AND SHARE PREMIUM

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Authorized:		
Ordinary shares of US$0.001 each	**5,000**	5,000
Issued and fully paid:		
Ordinary shares of US$0.001 each	**1,954**	1,879

A summary of movements in the Group's share capital and share premium is as follows:

	Number of shares in issue	**Share capital** ***US$'000***	**Treasury shares** ***US$'000***	**Share premium** ***US$'000***	**Total** ***US$'000***
At January 1, 2019	1,835,363,077	1,836	—	364,100	365,936
Purchases of non-controlling interests of the subsidiary	—	—	—	(1,588)	(1,588)
Acquisition of equity by non-controlling shareholders	—	—	—	383	383
Shares repurchased	—	—	(7,774)	—	(7,774)
Share options exercised	43,013,573	43	—	5,886	5,929
At December 31, 2019 and January 1, 2020	1,878,376,650	1,879	(7,774)	368,781	362,886

	Number of shares in issue	Share capital *US$'000*	Treasury shares *US$'000*	Share premium *US$'000*	Total *US$'000*
Acquisition of equity by non-controlling shareholders	**—**	**—**	**—**	**372**	**372**
Issue of ordinary shares for initial public offering of Legend Cayman	**—**	**—**	**—**	**690,519**	**690,519**
Share repurchased	**—**	**—**	**(9,460)**	**—**	**(9,460)**
Exercise of share options and restricted share units	**74,906,530**	**75**	**522**	**14,506**	**15,103**
Dividends paid to non-controlling shareholders	**—**	**—**	**—**	**(7,631)**	**(7,631)**
At December 31, 2020	**1,953,283,180**	**1,954**	**(16,712)**	**1,066,547**	**1,051,789**

30. CONTINGENT LIABILITY

On September 17, 2020, the Authority of the PRC inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understands to be an investigation relating to suspected violations of import and export regulations under the laws of the PRC. In connection with the Investigation, certain employees and Dr. Zhang, the then chairman of the board, have been arrested for the suspected offence of smuggling goods prohibited by the import and export regulations under the laws of the PRC. Dr. Zhang resigned from the positions of chairman of the Board, non-executive director, member and chairman of the nomination committee of the Company, and the member and chairman of the sanctions risk control committee of the Company on November 22, 2020. On February 9, 2021, Dr. Zhang was released on bail by the Authority. To the best of the Company's knowledge, no formal charges have been made or filed against any entity within the Group or individual yet and there have been no other details released by the Authority.

The bank balances frozen by the Authority in connection with the Investigation were approximately US$4,245,000 as at December 31, 2020, which were included in Restricted Cash in the financial position and disclosed in note 21. The frozen bank balances were partially released by the Authority in March 2021 and the remaining frozen balances were approximately US$1,533,000 with a frozen period from March 24, 2021 to September 23, 2021. As there are no formal charges made against any entity within the Group or any individual yet and there have been no other details released by the Authority, the Company is not able to make a sufficiently reliable estimate of the amount of the obligation and no accrual was made in the consolidated financial statements in connection with the Investigation as at December 31, 2020. The Company will continue to monitor the developments of the Investigation and assess the impact to the consolidated financial statements. Despite the Investigation, the Group's business operations remain normal.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual financial statements for the year ended December 31, 2020:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRSs issued by HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to note 45 to the consolidated financial statements and the Company's announcements dated September 18 and 21, 2020, November 22, 2020 and February 9, 2021, which indicate an uncertainty relating to the future outcome of an investigation over the Group in connection with suspected violations of import and export regulations under the laws of the PRC. No accrual was made in the consolidated financial statements as at December 31, 2020 as the Company is not able to make a sufficiently reliable estimate of the amount of the obligation. Our opinion is not modified in respect of this matter.

POSITIONING OF THE COMPANY

The Group is a well-recognised biotechnology company. Based on our proprietary gene synthesis technology and the other technology and know-hows on life-science research and application, we have well established four major platforms including (i) a leading life-science services and products platform to provide one-stop solutions to global research communities, (ii) a biologics contract development and manufacturing organization (the "**CDMO**") platform, (iii) an industrial synthetic products platform, and (iv) an integrated global cell therapy platform. The above four internally built platforms have demonstrated their strong growth from research and development to commercial delivery for year ended December 31, 2020 (the "**Year**" and the "**Reporting Period**").

The Group's business operations span over 100 countries worldwide with our legal entities located in the United States, Mainland China, Hong Kong, Japan, Singapore, Netherlands and Ireland. Our professional workforce has increased to approximately 4,601 headcounts as at December 31, 2020.

The life-science services and products segment is the strong and stable revenue generating foundation for the Group. We have maintained the position as one of the world's largest molecular biology contract research companies. We offer services and products covering gene synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and convenient and high-put-through equipment and consumables. We have active and healthy interaction with the global life-science research community. Our services and products have been cited in over 52,500 international peer reviewed journal articles as at December 31, 2020.

The biologics development services segment (CDMO platform) provides end-to-end gene and cell therapy and biologics discovery and development services to pharmaceutical, biotech, government and academic customers worldwide. The team focused on building the Good Manufacturing Practice ("**GMP**") capabilities during the Year. GMP facilities have been under construction according to our strategic plan with phase by phase delivery of the discovery, development, and medium to large scale of manufacturing capacity to meet demands from our customers.

Legend Biotech Corporation ("**Legend**") is the clinical stage biopharmaceutical subsidiary of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Our lead product candidate, ciltacabtagene autoleucel (cilta-cel; JNJ-4528/LCAR-B38M), is a chimeric antigen receptor T-cell ("**CAR-T**") therapy that Legend is jointly developing with Janssen Biotech, Inc. ("**Janssen**") for the treatment of multiple myeloma ("**MM**"). Our clinical results achieved to date demonstrate that cilta-cel has the potential to deliver deep and durable antitumor responses in relapsed and refractory multiple myeloma ("**RRMM**") patients with a manageable safety profile. The China Center for Drug Evaluation, National Medical Products Administration granted Breakthrough Therapy Designation for cilta-cel in August 2020. The rolling submission of a Biologics License Application to the U.S. Food and Drug Administration ("**FDA**") for cilta-cel has been initiated in December 2020. Our new pipeline CAR-T programs have been under active development, and the FDA cleared Legend's Investigational New Draft application for LB1901 in relapsed or refractory T cell Lymphoma in December 2020. Please refer to previous announcements of the Company dated August 6, 2020, December 14, 2020 and December 21, 2020 for details. Legend was listed on Nasdaq Global Select Market on June 5, 2020.

Bestzyme Biotech Corporation ("**Bestzyme**") is a subsidiary of the Group engaged in the synthetic biology fields. Bestzyme uses our advanced enzyme engineering technology to develop products for feed processing and food additives markets. Our long-term goals are: (i) to improve the quality of people's daily lives, (ii) to address environmental problems, and (iii) to use enzymes in various industry sectors at a large scale to improve the performance and to reduce costs. We believe synthetic biology offers us new opportunities from both technical and commercial perspectives.

During the Reporting Period, all non-cell therapy business units have achieved external sales growth. The Group invested significantly in talent pool and research and development to improve our technical competitiveness. We are very confident that our persistent investments into technology and management reforms and streamlining will be paid off and enable us to achieve a better future ultimately.

BUSINESS REVIEW

During the Reporting Period, the overall revenue of the Group was approximately US$390.8 million, representing an increase of 42.9% as compared with approximately US$273.4 million for the year ended December 31, 2019. Gross profit was approximately US$255.9 million, representing an increase of 41.9% as compared with approximately US$180.3 million for the year ended December 31, 2019. The increase in revenue was primarily attributable to (i) the strong growth in business of specially-functioned protein and antibody which meet market demands on key products related to the novel coronavirus (COVID-19), (ii) the continuing increase from life-science services and products from major strategic customers and new competitive services and products, (iii) the increase of contract revenue derived from Legend's collaboration with Janssen with new milestone achieved, and (iv) the increase in both the number of customers and their purchase volume of industrial synthetic biology products. The increase in gross profit was mainly attributable to strong growth in life-science services and products and industrial synthetic biology products. There was no significant change to the gross profit margin ratio.

During the Reporting Period, the loss of the Group was approximately US$281.4 million, whilst loss was approximately US$117.5 million for the year ended December 31, 2019. The adjusted net loss of the Group was approximately US$168.9 million, whilst adjusted net loss was approximately US$110.3 million for the year ended December 31, 2019.

The loss attributable to owners of the Company was approximately US$204.9 million, whilst loss attributable to owners of the Company was approximately US$96.9 million for the year ended December 31, 2019. The adjusted net loss attributable to owners of the Company was approximately US$107.8 million, whilst adjusted net loss attributable to owners of the Company was approximately US$89.9 million for the year ended December 31, 2019.

During the Reporting Period, the external revenue of (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, (iv) cell therapy, and (v) operation unit accounted for approximately 63.1%, 10.1%, 7.3%, 19.4%, and 0.1%, respectively, of the total revenue of the Group.

Results Analysis of the Four Business Segments

1. Life-science services and products

Results

During the Reporting Period, revenue generated from life-science services and products was approximately US$249.8 million, representing an increase of 44.4% as compared with approximately US$173.0 million for the year ended December 31, 2019. During the same period, the gross profit was approximately US$165.4 million, representing an increase of 46.6% as compared with approximately US$112.8 million for the year ended December 31, 2019. During the Reporting Period, the operating profit of life-science services and products was approximately US$82.4 million.

The increase in both revenue and gross profit was primarily attributable to the (i) dramatically increased demands of life-science services and products caused by the outbreak of COVID-19 globally during the first half of 2020, (ii) expanded capacity and productivity in customized reagent service, and (iii) improvement of online commercial platform and tools to attract new customers. The operating profit was primarily attributable to the (i) significant revenue driven from COVID-19 related products and key customers with relatively higher profitability, and (ii) continuous improvement of capacity utilization rate and operation efficiency.

Development Strategies

The Company intends to (i) continuously provide high quality research service in life-science field including molecular biology, protein and antibody research, (ii) continuously build the capability and capacity to provide industrial grade level products and services in gene and cell therapy ("**GCT**") area and precision medicine, and (iii) enhance the global manufacturing capacity in Asia and the United States (the "**U.S.**") to support the long term business growth.

2. Biologic development service

Results

During the Reporting Period, revenue generated from biologics development services was approximately US$40.4 million, representing an increase of 78.0% as compared with approximately US$22.7 million for the year ended December 31, 2019. During the same period, the gross profit was approximately US$9.9 million, representing an increase of 65.0% as compared with approximately US$6.0 million for the year ended December 31, 2019. Total backlog for biologics development services increased by 91.7% from US$49.4 million from the year ended December 31, 2019 to US$94.7 million for the year ended December 31, 2020. During the Reporting Period, the operating loss of biologics development services was approximately US$7.6 million.

The increase in revenue was primarily attributable to the (i) enhancement of antibody drug discovery platforms, e.g. single B cell screening on the Beacon platform, hybridoma and anti-ID antibody for pharmacokinetics (PK) and anti-drug antibodies (ADA) study and antibody engineering, (ii) increase in pre-clinical and clinical development capacity and capability for both antibody drugs and viral vectors, (iii) improvement in lentivirus vector and other key viral vectors, and (iv) strengthening of the sales opportunity pipeline globally. The increase in gross profit was primarily attributed to the (i) improvement in material utilization and supply chain management, (ii) productivity gain from more experienced functional teams, and (iii) shortened pre-clinical process development timelines. The operating loss was primarily attributable to the (i) continued investment in the research and development, especially in new molecular entity ("**NME**") pipelines and the process improvement initiatives, and (ii) increased depreciation and other start-up costs related to the GMP facility expansion.

Development strategies

The Company intends to (i) continue to enhance the antibody drug discovery platforms by developing and introducing advanced technologies, including but not limited to fully-human antibodies from transgenic animals, (ii) exploit the power of Bi-Specific Single Domain Antibody ("**SMAB**") platform and other multi-specific antibody and fusion protein platforms through collaboration with external biopharma or biotech companies, (iii) improve our capability in viral vector production through in-house development and external collaborations, (iv) increase pre-clinical and clinical development capacity through the opening of new GMP facilities for antibody, plasmid and virus vectors, (v) penetrate markets in the U.S., Asia Pacific and Europe through in-house capability and external collaborations, (vi) continuously promote the brand name of "GenScript ProBio" to improve our track record, and (vii) enhance senior management and research and development teams with talents who have international biopharma background.

3. Industrial synthetic biology products

Results

During the Reporting Period, revenue for industrial synthetic biology products was approximately US$28.9 million, representing an increase of 24.0% as compared with approximately US$23.3 million for the year ended December 31, 2019. During the same period, the gross profit was approximately US$8.6 million, representing an increase of 59.3% as compared with US$5.4 million for the year ended December 31, 2019. Gross profit margin increased from 23.2% for the same period last year to 29.8% this year. During the Reporting Period, the operating loss of industrial synthetic biology products was approximately US$2.7 million.

The increase in both revenue and gross profit was primarily attributable to the (i) launch of innovative products in feed enzyme segment, (ii) increased penetration into big industrial customers by providing upgraded marketing strategy from a product seller to a solution provider, and (iii) cost reduction and quality improvement from optimizing production process. The operating loss was primarily attributable to the (i) significant investment in research and development activities, especially in labor costs led by the recruitment of highly-skilled persons, (ii) long customer trail period before the launch of new products, and (iii) increased cost of routine maintenance of new sewage treatment project to meet the environmental protection requirement.

Development Strategies

The Company intends to be a leading bio-synthetic product supplier and well-recognized enzyme company by providing biological solution to our customers. The Company intends to (i) drive business growth and profit improvement through strain optimization and protein engineering, (ii) strengthen commercial capability to gain market share, (iii) provide animal health and nutrition solutions to support antibiotic reduction and replacement, and (iv) leverage our research and development competency to deliver more innovation in existing industries and targeted new business.

4. Cell therapy

Results

During the Reporting Period, revenue generated from cell therapy segment was approximately US$75.7 million, representing an increase of 31.9% as compared with approximately US$57.4 million for the year ended December 31, 2019. During the same period, gross profit was approximately US$75.7 million, representing an increase of 31.9% as compared with approximately US$57.4 million for the year ended December 31, 2019. During the Reporting Period, the operating loss of cell therapy was approximately US$307.6 million.

The increase in both revenue and gross profit was primarily attributable to additional milestone achieved in the Year and thus further recognition of contract revenue from the collaboration with Janssen on developing cilta-cel. The operating loss was primarily attributable to the (i) continuous investment in increased clinical trials, enrolling more patients and pipelines, (ii) expansion of Legend's supporting administrative functions, and (iii) growth in the cost for commercial preparation activities for cilta-cel.

Development Strategies

- Legend's collaborator, Janssen, anticipates submitting a Marketing Authorization Application (MAA) for cilta-cel for the treatment of adults with RRMM to the European Medicines Agency (EMA) in the first half of 2021.

- Legend intends to use the data from the CARTIFAN-1 study in support of a regulatory submission to the China Center for Drug Evaluation (CDE) seeking approval of cilta-cel for the treatment of adults with RRMM. Legend expects the submission of the application to occur in the second half of 2021.

- Legend's collaborator, Janssen, anticipates submitting a New Drug Application (NDA) to the Japan Ministry of Health, Labor and Welfare (JMHLW) in the second half of 2021 seeking approval of cilta-cel for the treatment of adults with RRMM.

- Legend expects to initiate its Phase 1 clinical trial of LB1901 in relapsed or refractory T cell Lymphoma (RR TCL) in the United States in 2021.

- Legend, in collaboration with Janssen, intends to present updated data from the CARTITUDE-1 and data from CARTITUDE-2 studies at major medical conferences in 2021.

- Legend anticipates supporting investigators with publishing a clinical data update from LEGEND-2 study in 2021.

As the global COVID-19 pandemic continues to evolve, the Group has continuously monitored the situation in regards to its operations and has put significant measures in place to protect supply chain, operations, employees and the execution of clinical trials. Given the dynamic global situation, the Group notes that certain clinical trial timelines may be impacted.

FINANCIAL REVIEW

	2020	2019	Change
	US$'000	*US$'000*	*US$'000*
Revenue	**390,846**	273,354	117,492
Gross profit	**255,893**	180,290	75,603
Loss after income tax	**(281,423)**	(117,516)	(163,907)
Adjusted net loss	**(168,946)**	(110,347)	(58,599)
Loss attributable to owners of the Company	**(204,945)**	(96,912)	(108,033)
Adjusted net loss attributable to owners of the Company;	**(107,757)**	(89,898)	(17,859)
Loss per share *(US cent per share)*	**(10.78)**	(5.23)	(5.55)

Revenue

In 2020, the Group recorded revenue of approximately US$390.8 million, representing an increase of 42.9% from approximately US$273.4 million in 2019. This was primarily attributable to (i) the strong growth in business of specially-functioned protein and antibody which meet market demands on key products related to COVID-19, (ii) the continuing increase from life-science services and products from major strategic customers and new competitive services and products, (iii) the increase of contract revenue derived from Legend's collaboration with Janssen with new milestone achieved, and (iv) the increase in both the number of customers and their purchase volume of industrial synthetic biology products.

Gross Profit

In 2020, the Group's gross profit increased by 41.9% to approximately US$255.9 million from approximately US$180.3 million in 2019. The increase in gross profit was primarily attributable to the (i) strong growth in life-science and biologics development business and high gross margin products, especially for COVID-19, and (ii) significant improvement on capacity utilization of materials and labor efficiency in industrial synthetic biology products.

Selling and distribution expenses

The selling and distribution expenses increased by 52.4% to approximately US$107.3 million in 2020 from approximately US$70.4 million in 2019. This was mainly attributable to the (i) increased investment into the commercial talent pool by recruiting more experienced personnel and improving incentive packages, and (ii) increased expenses for the global expansion of our business.

Administrative expenses

In 2020, the administrative expenses increased by 63.3% to approximately US$90.3 million from US$55.3 million in 2019. This was mainly caused by (i) competitive compensation package for our employees including shared-based payment provided to recruit experienced talents for all business segments, (ii) the reinforcement of some key administrative functions such as information technology, supply chain and finance to build up capable and professional administrative team to support the Group's overall business expansion, and (iii) the expansion of the European and Asia-Pacific Regional centers to accelerate the Group's global market penetration.

Research and development expenses

The research and development expenses increased by 41.6% to approximately US$263.4 million in 2020 from approximately US$186.0 million in 2019. This was mainly due to the (i) investment in COVID-19 related projects and other new challenging research and development projects, which significantly strengthened our competitiveness in the market and improved our production efficiency, (ii) increase in clinical trial expenses and preclinical study costs, especially in the cell therapy segment, and (iii) increase in compensation package including shared-based payment for research and development personnel.

Fair value changes of convertible redeemable preferred shares

Changes in the fair value of our convertible redeemable preference shares of Legend (the "**Legend Series A Preference Shares**") were recorded as fair value changes of convertible redeemable preferred shares. During the Reporting Period, the fair value changes of the Legend Series A Preference Shares recorded a loss of approximately US$80.0 million as compared with nil for the same period in 2019, primarily due to the revaluation of equity value of Legend based on its offering price. Upon the completion of the listing of Legend, all our Legend Series A Preference Shares were automatically converted into ordinary shares of Legend. The fair value of each of the Legend Series A Preference Shares is equivalent to the fair value of each of the ordinary shares of Legend on the conversion date, which is the public offering price. For details of the automatic conversion, please refer to the announcements of the Company dated March 31, 2020 and April 14, 2020.

Income tax (credit)/expense

The income tax credit was approximately US$0.5 million in 2020 whilst the income tax expense was approximately US$3.8 million in 2019. The actual tax rate was 0.2% for the year ended December 31, 2020 (for the year ended December 31, 2019: 3.4% in credit). The decrease of tax expenses in 2020 was mainly caused by the tax refund applied under the tax preferences issued because of the outbreak of COVID-19.

Net loss

During the Reporting Period, net loss of the Group was approximately US$281.4 million, whilst the net loss for the same period of 2019 was approximately US$117.5 million.

Trade receivables

	2020	2019
Trade receivables turnover *(day)*	**67**	77

The decrease of trade receivables of the Group was mainly caused by the positive trade receivable collection strategy.

Inventories

	2020	2019
Inventory turnover *(day)*	**72**	65

The increase of inventory turnover of the Group was mainly caused by the increased stock of COVID-19 related raw materials and products due to the increasing market demands.

Contract costs

The contract costs mainly include the costs to fulfil a contract under biologics development service. As at December 31, 2020, the Group's contract cost amounted to approximately US$5.8 million, representing an increased by 70.6% from approximately US$3.4 million as at December 31, 2019. The increase was primarily due to the business expansion of biologics development service.

Property, plant and equipment

Property, plant and equipment include buildings, machinery equipment and construction in progress. As at December 31, 2020, the property, plant and equipment of the Group amounted to US$345.2 million, representing an increase of 46.3% from the property, plant and equipment of US$236.0 million as at December 31, 2019. This was mainly due to the construction of new factories and acquisition of equipment to support the increased scale of production, especially for biologics development service and cell therapy.

Goodwill

For the year ended December 31, 2020, due to the change of the Group's development strategy, an impairment of approximately US$1.3 million has been provided for the goodwill generated from the acquisition of a subsidiary which was completed in 2019.

Intangible assets

Intangible assets include software, patents and licenses. As at December 31, 2020, the Group's net intangible assets amounted to approximately US$26.0 million, representing an increase of 2.0% from approximately US$25.5 million as at December 31, 2019. The increase in intangible assets was mainly due to the newly purchased license for gene sequences and partially offset by the impairment of certain patent.

Working capital and financial resources

As at December 31, 2020, the cash and cash equivalents of the Group amounted to approximately US$629.1 million (2019: approximately US$252.4 million). As at December 31, 2020, the restricted cash of the Group amounted to US$7.5 million (2019: approximately US$1.0 million).

As at December 31, 2020, the Group had available unutilized bank facilities of approximately US$178.3 million (2019: approximately US$15.5 million).

Cash flow analysis

During the Reporting Period, the annual cash outflow used in operating activities of the Group was approximately US$151.1 million.

During the Reporting Period, the annual cash outflow used in investing activities of the Group was approximately US$100.2 million. This was mainly due to (i) proceeds from the financial assets at fair value through profit or loss in the amount of approximately US$16.1 million, (ii) cash paid for the purchases of items of property, plant and equipment and other intangible assets for the purpose of enlarging production capability in the amount of US$127.7 million, (iii) cash paid for the investment in associates in the amount of US$2.1 million, and (iv) cash received from the investment income of US$3.7 million, (v) the redemptions of time deposits in the amount of US$12.4 million, and (vi) net cash paid for the pledged short-term deposits in the amount of US$2.3 million.

During the Reporting Period, the annual cash inflow generated from financing activities of the Group was approximately US$624.2 million. This was mainly due to (i) proceeds from issue of shares for the initial public offering of Legend in the amount of US$608.0 million, (ii) proceeds from exercise of share options by employees in the amount of US$9.5 million, (iii) net proceeds from bank loans in the amount of US$24.2 million, (iv) payment for share repurchased in the amount of US$9.5 million, (v) dividends payment for non-controlling shareholders in the amount of US$6.5 million, and (vi) the principle portion of lease payments in the amount of US$1.9 million.

Capital expenditure and Capital Commitment

During the Reporting Period, the expenditure of purchasing intangible assets, namely software, patents and license, was approximately US$5.8 million and the expenditure of purchasing property, plant and equipment amounted to approximately US$121.9 million.

Significant investments held, material acquisitions and disposals

On April 16, 2020, the deemed disposals of the Company's equity interest in Legend prior to the spin-off by way of a separate listing of Legend on Nasdaq Global Select Market were completed (the "**Closing**"). The Closing resulted in a reduction of the percentage shareholding of the Company in Legend and constituted a deemed disposal of the Company's equity interests in Legend under Rule 14.29 of the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**"). Please refer to the announcements of the Company dated March 31, 2020, April 14, 2020 and April 16, 2020 for details.

The spin-off by way of a separate listing of Legend on Nasdaq Global Select Market through the initial public offering of the ordinary shares of Legend in the form of American depositary shares was completed on June 5, 2020 (the "**Offering**"). The Offering resulted in a reduction of the percentage shareholding of the Company in Legend and constituted a deemed disposal of the Company's equity interests in Legend under Rule 14.29 of the Listing Rules. Please refer to the announcements and circular of the Company dated March 10, 2020, March 16, 2020, May 14, 2020, May 26, 2020, May 29, 2020, June 5, 2020 and June 7, 2020 for details.

As of the date of this announcement, Legend remains a non-wholly owned subsidiary of the Company and the financial results of Legend continues to be consolidated into the financial statements of the Group.

Save as disclosed above, the Group did not have any significant investment held, material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

Bank loans

As at December 31, 2020, Nanjing GenScript Biotech Co., Ltd.* (南京金斯瑞生物科技有限公司) ("**GS China**") borrowed short-term interest-bearing loans from Citi Bank for a total amount of RMB57.8 million (equivalent to approximately US$8.9 million) and from China Merchants Bank for a total amount of RMB100.0 million (equivalent to approximately US$15.3 million) with a fixed annual interest rate at 3.4% and 3.5% respectively, which were secured by credit. GS China used such loans to purchase raw materials and replenish working capital.

As at December 31, 2020, Nanjing Bestzyme Bioengineering Co., Ltd. ("**Nanjing Bestzyme**") and Jiangsu Genscript Biotech Co., Ltd ("**Jiangsu Jinsirui**") borrowed short-term interest-bearing loans from CITIC Bank for a total amount of RMB84.0 million (equivalent to approximately US$12.9 million) with a fixed annual interest rate at 3.2%, which were secured by the credit of GS China. Nanjing Bestzyme and Jiangsu Jinsirui used such loans to purchase raw material and replenish working capital.

As at December 31, 2020, Genscript (Hong Kong) Limited ("**GS HK**") borrowed a short-term interest-bearing loan from Citi Bank for a total amount of US$7.0 million with a floating interest rate at the one-month LIBOR (London Interbank Offered Rate) rate plus 0.5%, which were secured by credit. GS HK used such loan to purchase goods and replenish working capital.

As at December 31, 2020, GenScript Japan Inc. ("**GS JP**") borrowed a long-term interest-bearing loan from Mizuho Bank for a total amount of JYP190.0 million (equivalent to approximately US$1.8 million) with a floating interest rate at the TIBOR (Tokyo Interbank Offered Rate) rate plus 0.25%, which were secured by the buildings and freehold land held by GS JP. GS JP used such a loan to purchase building.

Save as above, the Group did not have any other outstanding, unpaid bank loans and/or other borrowings.

Provision, contingent liabilities and guarantees

On September 17, 2020, the Customs Anti-Smuggling Department (the "**Authority**") of the People's Republic of China ("**PRC**") inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understands to be an investigation (the "**Investigation**") relating to suspected violations of import and export regulations under the laws of the PRC.

As at December 31, 2020, bank balances of RMB27.7 million (equivalent to approximately US$4.2 million) was frozen by the Authority related to the Investigation. As at the date of this announcement, bank balances of RMB10.0 million (equivalent to approximately US$1.5 million) was still frozen while remaining amount was released in March 2021.

As at the date of this announcement, to the best of the Company's knowledge, no charges have been made or filed against any entity or individual, and no other details released by the Authority. The Investigation is ongoing. There is uncertainty in what the final penalty and charges may be, if there is any, which depends on the development and closure of the Investigation. The Group did not provide any contingent liability for the Investigation for the Reporting Period as the Group is not able to make a sufficiently reliable estimate of the amount of the obligation.

The Company will make further announcement in a timely manner on any important development of the Investigation. As at the date of this announcement, the Group's business operations remain normal.

As at December 31, 2020, the Group did not have any material contingent liabilities or guarantees.

Charges on group assets

As at December 31, 2020, the building and freehold land located in Tokyo, Japan of approximately JPY1.2 billion (equivalent to approximately US$12.0 million) was pledged by GS JP to secure a loan of JPY190.0 million (equivalent to approximately US$1.8 million).

As at December 31, 2020, bank balances of approximately US$3.0 million was pledged by subsidiaries incorporated in the PRC for notes payable of approximately US$3.0 million, and of approximately US$256,000 was pledged by Legend Biotech USA Incorporated ("**Legend USA**") for credit cards.

Save as above, the Group did not have any other material charges over its assets as of December 31, 2020.

Current ratio and gearing ratio

As at December 31, 2020, the Group's current ratio (current assets to current liabilities) approximately 3.0 (as at December 31, 2019: 2.5); and gearing ratio (total liabilities to total assets) was approximately 43.7% (as at December 31, 2019: 58.1%).

Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. Since January 2019, the Group has entered into a series of forward contracts to manage the Group's currency risk.

Cash flow and fair value interest rate risk

Other than bank balances with variable interest rate and short-term deposits with fixed interest rates, the Group has financial products of approximately US$5.9 million related to fair value interest rate risk.

Credit risk

The carrying amounts of cash and cash equivalents, trade, other receivables and other current assets are the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

In respect of trade and other receivables, individual credit evaluations are performed on customers and counterparties. These evaluations focus on the counterparty's financial position and past history of making payments, and they take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. Credit limits were granted to certain customers in consideration of their payment history and business performance. Prepayment agreements were sometimes entered into with certain customers from food companies, colleges, universities, and research institutes in China, as well as occasionally with other customers in the United States and Europe. In addition, the Group reviews the recoverable amount of each individual transaction and other receivable balance by semi-year to ensure that adequate impairment losses are made for irrecoverable amounts.

IMPORTANT EVENTS

On March 31, 2020 and April 11, 2020, Legend entered into purchase agreements with nine purchasers (the "**Purchasers**"), pursuant to which Legend issued and the Purchasers purchased 20,591,629 series A preference shares of Legend at an aggregate consideration of approximately US$160.5 million (the "**Purchases**"). In connection with the Purchase, the Company provided a guarantee to the Purchasers to secure certain guaranteed obligations, including without limitation, the redemption payment amount applicable to each Purchaser upon the exercise of their redemption right. The aggregate amount of the guaranteed obligations shall not exceed US$220,000,000. The guarantee was terminated upon the consumption of Legend IPO (as defined below). Please refer to the announcements of the Company dated March 31, 2020, April 14, 2020 and April 16, 2020 for details.

On June 5, 2020 (New York time), Legend was listed on the Nasdaq Global Select Market by initial public offering of American depositary Shares (the "**Legend IPO**"). Please refer to the announcements of the Company dated March 10, 2020, March 16, 2020, May 14, 2020, May 26, 2020, May 29, 2020, June 5, 2020 and June 7, 2020 for details.

In June 2020, a special dividend was declared by the Company to the shareholders of the Company by way of a distribution in respect of the Legend IPO. Such dividend was settled by the Company with cash in an aggregate of approximately HK$51.2 million (equivalent to approximately US$6.5 million) and the restricted American depositary shares of Legend in July 2020. Please refer to the announcements of the Company dated June 7, 2020 and July 23, 2020 and the circular dated June 26, 2020 for details.

On August 4, 2020, the China Center for Drug Evaluation ("**CDE**"), National Medical Products Administration has recommended Breakthrough Therapy Designation (the "**BTD**") for ciltacabtagene autoleucel (cilta-cel; LCAR-B38M CAR-T cells), an investigational B-cell maturation antigen targeted chimeric antigen receptor T-cell therapy being studied for the treatment of adults with relapsed or refractory multiple myeloma. Please refer to the announcement of the Company dated August 6, 2020 for details. The BTD has been granted on August 13, 2020 after the publicity period on the website of the CDE, making cilta-cel the first investigational product to obtain BTD in China.

On September 17, 2020, the Authority of the PRC inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understands to be the Investigation relating to suspected violations of import and export regulations under the laws of the PRC. In connection with the Investigation, Dr. Zhang Fangliang ("**Dr. Zhang**"), the then Company's chairman, non-executive Director and one of our controlling shareholders, was under "resident surveillance" in the PRC. On November 21, 2020, Dr. Zhang was arrested for the suspected offence of smuggling goods prohibited by the import and export regulations under the laws of the PRC. On February 9, 2021, Dr. Zhang was released on bail by the Authority. As of February 9, 2021, two other employees ("**Relevant Employees**") had been arrested and no formal charges had been pressed against either of Dr. Zhang or the Relevant Employees. Please refer to the announcements of the Company dated September 21, 2020, November 22, 2020 and February 9, 2021 for details.

On November 6, 2020 (New York time), GS USA, a direct wholly-owned subsidiary of the Company, was granted the Emergency Use Authorization (EUA) for the cPass™ SARS-CoV-2 Neutralization Antibody Detection Kit (the "**cPass™ Kit**") by the U.S. Food and Drug Administration ("**FDA**"). On February 5, 2021 (New York time), GS USA further received authorization by the Center for Biologics Evaluation and Research of FDA for use of the cPass™ Kit in convalescent plasma screening. The cPass™ Kit is the first commercially available test and the first FDA authorized test that specifically detects COVID-19 neutralizing antibodies in patient samples without the use of live virus. Please refer to the announcements of the Company dated November 8, 2020 and February 7, 2021 for details.

On December 5, 2020 (New York time), Legend made an announcement at the 62nd American Society of Hematology (ASH) Annual Meeting and Exposition on the latest data results from the combined Phase 1b/2 CARTITUDE-1 study of ciltacabtagene autoleucel (cilta-cel). Please refer to the announcements of the Company dated November 5, 2020 and December 6, 2020 for details.

On December 14, 2020, Legend announced that the FDA cleared Legend's Investigational New Drug (the "**IND**") application to evaluate LB1901, the investigational autologous CAR-T therapy, for the treatment of adults with relapsed or refractory T-cell lymphoma (TCL). Under the IND, Legend will initiate a Phase 1 clinical study for LB1901 in the United States. Please refer to the announcement of the Company dated December 14, 2020 for details.

On December 21, 2020, Legend announced the initiation of a rolling submission of a Biologics License Application to the FDA for ciltacabtagene autoleucel (cilta-cel), which is based on results from the pivotal Phase 1b/2 CARTITUDE-1 study which evaluated the efficacy and safety of cilta-cel in the treatment of patients with relapsed and/or refractory multiple myeloma. Please refer to the announcement of the Company dated December 21, 2020 for details.

In December 2020, the fifth milestone relating to the clinical development of cilta-cel in the United States have been achieved according to the terms and conditions of the collaboration and license entered into among Legend USA., Legend Ireland ("**Legend USA/Ireland**") and Janssen. Legend USA/Ireland is entitled to the milestone payments in the amount of US$75,000,000 payable by Janssen for the fifth milestone. Please refer to the announcement of the Company dated December 21, 2020 for details.

PROSPECTS

In the year of 2020, the novel coronavirus (COVID-19) pandemic has caused profound changes in people's daily lives, international relationships and the global economy. Our business was no exception. Some of these changes may be temporary, but many will belong lasting.

Many of our customers were negatively impacted by the COVID-19 during 2020. The demand for life-science services and products from academic and research institutions grew at a slower pace due to campus shutdowns and logistics disruptions globally. International customer demands for industrial enzyme and bio-synthesized products also took a pause given the uncertain global economic environment. Nevertheless, we believe these negative impacts were temporary and the spread of the COVID-19 will eventually be contained. Since the second half of the Year, we started to observe customer demands from the impacted areas starting to increase.

We are also identifying new opportunities for our business brought by the COVID-19 pandemic. Our customers in the in vitro diagnostics ("**IVD**") industry have shown strong demands for protein antigen, antibody and other testing materials. As the pandemic is still impacting a large portion of the world, we believe our business will continue to benefit from diagnostics demands. Furthermore, we have co-developed with The Duke–NUS Medical School the first COVID-19 neutralizing antibody detection kit approved for emergency use authorization (EUA) by the FDA. We believe this should open new market opportunities for us in the IVD industry.

More importantly, it is clear that the need for the new generation of medicines and diagnostics, as well as the tools and services that enable the pharmaceutical industry to research and produce such medicines is strong and ever growing.

FUTURE DEVELOPMENT STRATEGIES

Looking forward to 2021, the Group continues to optimize research and development, go-to-market and capital allocation strategies.

Keeping our customers first, we will continue to improve our DNA synthesis throughput and cost efficiency through increased automation. We will also continue to expand our life-science offerings in plasmid preparation, protein expression, antibody production, oligo, etc. to provide one stop services to customers.

Looking forward, we would also continue to upgrade our life-science products and services in order to serve the translational medical research and commercial market. This means we will invest in Good Laboratory Practice (GLP) and GMP capabilities globally and in research and development efforts in order to capture this much larger market.

For our biologics CDMO business, we have firmly established ourselves as a leading player in China for both antibody drug development and gene and cell therapy (GCT) services. We will continue to leverage our strength and experience in upstream discovery services to attract customer projects and convert them into downstream development and manufacturing projects. We will also continue to invest in capacity expansion to better meet our clients' needs as existing and new projects move from earlier development phase into later phase and commercial manufacturing stage.

In synthetic biology, we are committed to grow Bestzyme into a leading industrial enzyme solution provider by continuing invest in research and development to expand our addressable market and lower our production cost.

In cell therapy, we will continue to push forward Legend's pipeline programs through our internal resources as well as collaborations with external partners. We will continue to explore the advantage of conducting investigator initiated trials (IIT) in China and selectively combine those with IND trials approved by the FDA in the U.S. to generate clinical data in a fast and cost effective way.

Overall, at the group level, we will continue to optimize our capital structure, improve operational efficiency, and make selective investments to incubate high potential projects with risk adjusted return in mind.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2020, the Group had a total of approximately 4,601 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, salaries, employees' benefits, responsibilities for breach of contractual obligations, and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies, and other employees' benefits, which are determined with reference to experience, number of years with the Group, and other general factors.

On July 15, 2015, the Company adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**"). On December 7, 2015, the Company adopted the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). On December 21, 2017, the Company approved and adopted the share option scheme of Legend, being the direct non-wholly owned subsidiary of the Company (the "**Subsidiary Share Option Scheme**", together with the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, the "**Share Option Schemes**"). On March 22, 2019, the Company adopted the Restricted Share Award Scheme (the "**RSA Scheme**"). On May 26, 2020, the shareholders of Legend approved and adopted the restricted shares plan of Legend (the "**2020 Restricted Shares Plan**"). No further share options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on The Stock Exchange of Hong Kong (the "**Stock Exchange**").

5,525,000 share options with an exercise price of HK$13.84 per share, 720,000 share options with an exercise price of HK$15.00 per share and 2,360,000 share options with an exercise price of HK$12.10 per share were granted under the Post-IPO Share Option Scheme to certain Directors and employees on April 29, 2020, September 1, 2020 and December 28, 2020, respectively. Please refer to our announcements dated April 29, 2020, September 1, 2020 and December 28, 2020 for details. Save as disclosed, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

930,443 restricted shares, 44,493 restricted shares and 3,565,933 restricted shares were granted under the RSA Scheme to certain Directors and employees on April 29, 2020, September 1, 2020 and December 28, 2020, respectively. Please refer to our announcements dated April 29, 2020, September 1, 2020 and December 28, 2020 for details. Save as disclosed, no other restricted shares have been granted under the RSA Scheme during the Reporting Period.

During the Reporting Period, 679,000 share options were granted under the Subsidiary Share Option Scheme. Save as disclosed, no other options have been granted under Subsidiary Share Option Scheme during the Reporting Period.

1,138,863 restricted share units were granted under the 2020 Restricted Shares Plan. Save as disclosed, no other restricted shares have been granted under the 2020 Restricted Shares Plan during the Reporting Period.

FINAL DIVIDEND

On June 5, 2020, the Board declared a special dividend to the shareholders of the Company in connection with the spin-off and separate listing of Legend on the Nasdaq Global Select Market. Please refer to the announcements of the Company dated June 7, 2020 and July 23, 2020 and the circular dated June 26, 2020 for details.

In order to retain resources for the Group's business development, the Board did not recommend the payment of final dividend for the year ended December 31, 2020.

CORPORATE GOVERNANCE PRACTICES

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

Save as the deviation from code provision A.2.1 of the CG Code from January 1, 2020 to August 2, 2020, the Company has complied with all the applicable code provisions as set out in the CG Code during the year ended December 31, 2020 and up to the date of this announcement.

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. The Company deviated from this provision from January 1, 2020 to August 2, 2020 because Dr. Zhang had been assuming the roles of both the chairman of the Board and the chief executive officer of the Company since the date of listing up to August 2, 2020, on which he resigned from the position of the chief executive officer of the Company. The Board believed that resting the roles of both the chairman and the chief executive officer in the same person during the above period had helped to ensure consistent leadership within the Group and to enable more effective and efficient overall strategic planning for the Group. Although these two roles were performed by the same individual, certain responsibilities were shared with the executive Directors to balance power and authority. In addition, all major decisions were made in consultation with members of the Board, as well as with the senior management, and the Board had then three independent non-executive Directors who offer different independent perspectives. Therefore, the Board was of the view that the balance of power and safeguards in place were adequate.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Code for Securities Transaction by Directors and Specified Individuals (the "**Code**") on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 of the Listing Rules. Specific inquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the Code during the Reporting Period.

The Code is also applicable to the Company's relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities. No incidents of non-compliance with the Code by the Directors and the relevant employees of the Company were noted by the Company during the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the RSA Scheme purchased on the Stock Exchange a total of 5,550,000 shares of the Company at a total consideration of approximately HK$73.4 million (equivalent to approximately US$9.5 million) to satisfy the award of shares to selected employees pursuant to the terms of the rules and trust deed of the RSA Scheme.

TOP-UP PLACING

On June 5, 2018, the Company entered into a placing and subscription agreement with Genscript Corporation, one of the controlling shareholders of the Company (the "**Vendor**") and placing agents pursuant to which (i) the Vender completed a placing through placing agents 75,000,000 ordinary shares of the Company to certain placees at the price of HK$26.50 per share, and (ii) the Vender subscribed for an aggregate of 75,000,000 shares of the Company of HK$26.5 per share (the "**Top-up Placing**"). The net proceeds of the Top-up Placing is HK$1,971,702,660.50 (equivalent to approximately US$251.3 million). Please refer to the announcements of the Company dated June 4, 2018, June 5, 2018, June 8, 2018, June 13, 2018 and June 14, 2018 for details.

A detailed breakdown and description of the use of the net proceeds from the Top-Up Placing is set forth as follows:

Item	**Unutilized amount as at January 1, 2020** *US$ million*	**Utilized amount during the Reporting Period** *US$ million*	**Unutilized amount as at December 31, 2020** *US$ million*	**Intended year of application**
Building up CAR-T R&D and production facility in China, the U.S. and Europe	58.0	28.6	29.4	2021 to 2022
Building up the GMP manufacturing facilities for plasmid and biologics products	63.7	23.7	40.0	2021 to 2022
Total	121.7	52.3	69.4	

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**"). The Audit Committee currently comprises three members, namely, Mr. Dai Zumian (chairman of the Audit Committee), Mr. Pan Jiuan and Mr. Guo Hongxin, all being independent non-executive Directors. The principal duties of the Audit Committee are (i) to review and monitor the Company's financial reporting system, risk management and internal control systems, (ii) to maintain the relations with the external auditor of the Company, and (iii) to review the financial information of the Company.

The Audit Committee has, together with the management and external auditors, reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended December 31, 2020.

SCOPE OF AUDITOR'S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, condensed statement of cash flows and the related notes thereto for the year ended December 31, 2020 as set out in this preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The auditor made no comments as to the reasonableness or appropriateness of those assumptions of the "adjusted net profit/(loss)" as presented in the preliminary announcement. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**AGM**") of the Company is scheduled to be held on Friday, May 28, 2021. A notice convening the AGM will be issued and disseminated to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders to attend and vote at the forthcoming annual general meeting (the "**AGM**") to be held on Friday, May 28, 2021, the register of members of the Company will be closed from Tuesday, May 25, 2021 to Friday, May 28, 2021 (both dates inclusive), during which period no transfer of shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, May 24, 2021.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2020 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.genscript.com), and the 2020 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Genscript Biotech Corporation
Meng Jiange
Chairman and Executive Director

Hong Kong, March 26, 2021

As at the date of this announcement, the executive Directors are Mr. Meng Jiange, Ms. Wang Ye and Dr. Zhu Li; the non-executive Directors are Dr. Wang Luquan, Mr. Pan Yuexin and Ms. Wang Jiafen; and the independent non-executive Directors are Mr. Guo Hongxin, Mr. Dai Zumian, Mr. Pan Jiuan and Dr. Wang Xuehai.

* *For identification purposes only*