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)

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

INTERIM RESULTS HIGHLIGHTS

- Revenue of the Group for the six months ended June 30, 2021 was approximately US$229.6 million, representing an increase of 38.0% as compared with approximately US$166.4 million recorded for the same period of 2020, among which, the external revenue for non-cell therapy business was approximately US$195.7 million, representing an increase of 36.6% as compared with approximately US$143.3 million for the same period of 2020, and the revenue for cell therapy business was approximately US$33.9 million, representing an increase of 46.8% as compared with approximately US$23.1 million for the same period of 2020.

- Gross profit of the Group for the six months ended June 30, 2021 was approximately US$138.6 million, representing an increase of 28.1% as compared with approximately US$108.2 million recorded for the same period of 2020, among which, the gross profit of non-cell therapy business was approximately US$104.7 million, representing an increase of 23.0% as compared with approximately US$85.1 million for the same period of 2020, and the gross profit of cell therapy business was approximately US$33.9 million, representing an increase of 46.8% as compared with approximately US$23.1 million for the same period of 2020.

- Loss of the Group for the six months ended June 30, 2021 was approximately US$156.1 million, whilst loss of approximately US$160.5 million was recorded for the same period of 2020.

The adjusted net loss was approximately US$134.3 million, whilst the adjusted net loss of approximately US$68.7 million was recorded for the same period in 2020, among which, the adjusted net profit of non-cell therapy business was approximately US$27.9 million, representing an increase of 14.8% as compared with approximately US$24.3 million for the same period of 2020, and the adjusted net loss of cell therapy business was approximately US$162.2 million, whilst the adjusted net loss of the cell therapy business was approximately US$93.0 million for the same period of 2020.

The adjusted net loss in the Group's business excludes: (i) share-based payment expenses, (ii) exchange gains or losses, (iii) consultation expenses and other related costs for the Investigation (as defined in the announcement of the Company dated September 21, 2020), (iv) impairment loss on long-term investments and related non-current financial assets, (v) fair value loss of Legend Warrant (as defined in the announcement of the Company dated May 14, 2021) liabilities, (vi) fair value loss of convertible redeemable Series A Preference Shares (as defined in the announcement of the Company dated March 31, 2020) by Legend, (vii) service fee for the issuance of Legend Series A Preference Shares, and (viii) 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, and both of which are key drivers for a sustainable business growth in the long run. For the six months ended June 30, 2021, the Group's research and development expense was approximately US$175.1 million, representing an increase of 51.6% as compared with approximately US$115.5 million for the same period in 2020, in which the total investment in research and development was approximately US$154.5 million on cell therapy for the six months ended June 30, 2021, representing an increase of 52.1% as compared with approximately US$101.6 million for the same period of 2020.

- Loss attributable to the shareholders of the Company for the six months ended June 30, 2021 was approximately US$91.1 million, whilst the loss attributable to the shareholders of the Company of approximately US$113.1 million was recorded for the same period of 2020.

Note:

		For the six months ended June 30, 2021 (Unaudited)		
		Non-cell therapy *US$'000*	**Cell therapy** *US$'000*	**Total** *US$'000*
Net profit/(loss)		**16,334**	**(172,483)**	**(156,149)**
Excluding:	Share-based payment expenses, net of tax	**5,965**	**8,033**	**13,998**
	Exchange gains or losses, net of tax	**1,904**	**703**	**2,607**
	Consultation expenses and other related costs for the Investigation, net of tax	**2,419**	**—**	**2,419**
	Impairment loss on long-term investments and related non-current financial assets	**1,237**	**—**	**1,237**
	Fair value loss of Legend Warrant liabilities	**—**	**1,600**	**1,600**
Adjusted net profit/(loss)		**27,859**	**(162,147)**	**(134,288)**

The board (the "**Board**") of directors (the "**Directors**") of Genscript Biotech Corporation (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2021 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2020 are as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended June 30,	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***US$'000***	*US$'000*
REVENUE	*4*	**229,568**	166,394
Cost of sales		**(90,949)**	(58,221)
Gross profit		**138,619**	108,173
Other income and gains	*4*	**10,480**	12,999
Selling and distribution expenses		**(58,269)**	(41,059)
Administrative expenses		**(56,313)**	(36,365)
Research and development expenses		**(175,130)**	(115,451)
Fair value loss of warrant liability	*19*	**(1,600)**	—
Fair value loss of convertible redeemable preferred shares		**—**	(79,984)
Other expenses		**(5,638)**	(1,969)
Finance costs		**(1,142)**	(4,510)
Share of losses of associates		**—**	(314)
(Provision for)/reversal of impairment losses on financial assets, net		**(1,231)**	433
LOSS BEFORE TAX	*5*	**(150,224)**	(158,047)
Income tax expense	*6*	**(5,925)**	(2,462)
LOSS FOR THE PERIOD		**(156,149)**	(160,509)

	Notes	For the six months ended June 30, 2021 (Unaudited) *US$'000*	2020 (Unaudited) *US$'000*
Attributable to:			
Owners of the parent		**(91,122)**	(113,092)
Non-controlling interests		**(65,027)**	(47,417)
		(156,149)	(160,509)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
— Basic		**(US4.61 cents)**	(US6.01 cents)
— Diluted		**(US4.61 cents)**	(US6.01 cents)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
LOSS FOR THE PERIOD	**(156,149)**	(160,509)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**6,898**	(4,935)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**6,898**	(4,935)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**6,898**	(4,935)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(149,251)**	(165,444)
Attributable to:		
Owners of the parent	**(85,588)**	(117,673)
Non-controlling interests	**(63,663)**	(47,771)
	(149,251)	(165,444)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at June 30, 2021 (Unaudited) *US$'000***	As at December 31, 2020 (Audited) *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**395,252**	345,215
Advance payments for property, plant and equipment		**9,252**	5,906
Investment properties		**7,218**	7,726
Right-of-use assets		**41,741**	34,017
Goodwill		**14,131**	14,116
Other intangible assets		**27,262**	26,020
Investments in associates		**3,319**	3,433
Financial assets at fair value through profit or loss	*10*	**11,240**	10,555
Other non-current assets		**4,223**	3,542
Deferred tax assets		**3,086**	3,702
Total non-current assets		**516,724**	454,232
CURRENT ASSETS			
Inventories		**34,886**	31,745
Contract costs		**7,869**	5,785
Trade and notes receivables	*11*	**92,635**	141,748
Prepayments, other receivables and other assets		**28,783**	32,834
Financial assets at fair value through profit or loss	*10*	**1,644**	5,866
Financial investment measured at amortized cost	*12*	**29,849**	—
Loans to associates		**2,121**	2,422
Restricted cash	*13*	**2,545**	7,471
Time deposits	*14*	**213,392**	136,245
Cash and cash equivalents	*14*	**957,615**	629,058
Total current assets		**1,371,339**	993,174

	Notes	**As at June 30, 2021 (Unaudited) *US$'000***	As at December 31, 2020 (Audited) *US$'000*
CURRENT LIABILITIES			
Trade and bills payables	*15*	**27,244**	23,376
Other payables and accruals	*16*	**192,081**	168,980
Interest-bearing loans and borrowings	*17*	**20,546**	44,642
Lease liabilities		**4,746**	2,588
Tax payable		**5,251**	3,532
Contract liabilities	*18*	**87,245**	84,414
Government grants		**872**	379
Warrant liability	*19*	**83,300**	—
Total current liabilities		**421,285**	327,911
NET CURRENT ASSETS		**950,054**	665,263
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,466,778**	1,119,495
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	*17*	**18,214**	1,260
Lease liabilities		**12,295**	6,513
Deferred tax liabilities		**9,803**	7,030
Contract liabilities	*18*	**254,695**	277,052
Government grants		**11,864**	11,495
Other non-current liability		**554**	554
Total non-current liabilities		**307,425**	303,904
NET ASSETS		**1,159,353**	815,591
EQUITY			
Equity attributable to owners of the parent			
Share capital	*20*	**2,081**	1,954
Treasury shares	*20*	**(16,328)**	(16,712)
Reserves		**1,025,125**	916,463
		1,010,878	901,705
Non-controlling interests		**148,475**	(86,114)
TOTAL EQUITY		**1,159,353**	815,591

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 is the 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 life-science research and application service and product provider. Its major services and products include (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy.

These interim condensed consolidated financial statements are presented in US dollars (US$), unless otherwise stated, and were approved for issue by the Board on August 23, 2021.

2. BASIS OF PREPARATION

2.1. Basis of preparation

The interim condensed consolidated financial information for the six months ended June 30, 2021 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020.

2.2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

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

The adoption of the revised standards has no significant financial effect to the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and five reportable operating segments as follows:

(a) The life-science services and products unit provides comprehensive research services and products, which are widely used and are fundamental to life-science research and application;

(b) The biologics development services unit provides comprehensive services aimed to help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies, and gene/cell therapy products with an integrated platform;

(c) The industrial synthetic biology products unit provides industrial enzyme development and production through non-pathogenic microbial strains constructed using genetic engineering;

(d) The cell therapy unit discovers and develops innovative CAR-T therapies for the treatment of liquid and solid tumors; and

(e) The operation unit mainly provides shared services to other segments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

The segment information for the six months ended June 30, 2021 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	**146,431**	**31,184**	**17,866**	**33,915**	**172**	**—**	**229,568**
Intersegment sales	**5,575**	**318**	**147**	**—**	**3,438**	**(9,478)**	**—**
Total revenue	**152,006**	**31,502**	**18,013**	**33,915**	**3,610**	**(9,478)**	**229,568**
Segment cost of sales	**(60,269)**	**(21,525)**	**(12,927)**	**—**	**(1,915)**	**5,687**	**(90,949)**
Segment gross profit	**91,737**	**9,977**	**5,086**	**33,915**	**1,695**	**(3,791)**	**138,619**

	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*
Other income and gains	—	—	459	2,390	10,453	(2,822)	10,480
Selling and distribution expenses	(21,285)	(5,306)	(1,510)	(30,199)	—	31	(58,269)
Administrative expenses	(3,801)	(1,641)	(1,440)	(18,013)	(32,714)	1,296	(56,313)
Research and development expenses	(13,426)	(5,227)	(2,759)	(154,529)	(1,650)	2,461	(175,130)
Fair value loss of warrant liability	—	—	—	(1,600)	—	—	(1,600)
Other expenses	—	—	(182)	(4,378)	(3,898)	2,820	(5,638)
Finance costs	—	—	(102)	(90)	(955)	5	(1,142)
Profit/(loss) before tax	52,173	(2,398)	(448)	(172,482)	(27,069)	—	(150,224)
Income tax expense	—	—	—	(1)	—	—	(1)
Unallocated income tax expense	—	—	—	—	—	—	(5,924)
Profit/(loss) for the period	52,173	(2,398)	(448)	(172,483)	(27,069)	—	(156,149)

The segment information for the six months ended June 30, 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	113,329	18,662	11,070	23,146	187	—	166,394
Intersegment sales	1,656	312	170	—	9,590	(11,728)	—
Total revenue	114,985	18,974	11,240	23,146	9,777	(11,728)	166,394
Segment cost of sales	(36,966)	(14,274)	(6,951)	—	(1,383)	1,353	(58,221)
Segment gross profit	78,019	4,700	4,289	23,146	8,394	(10,375)	108,173
Other income and gains	—	—	635	3,796	8,678	(110)	12,999
Selling and distribution expenses	(20,929)	(2,472)	(1,531)	(16,102)	(100)	75	(41,059)
Administrative expenses	(4,805)	(1,186)	(1,479)	(7,938)	(28,473)	7,516	(36,365)
Research and development expenses	(11,011)	(3,604)	(2,050)	(101,570)	—	2,784	(115,451)
Fair value loss of convertible redeemable preferred shares	—	—	—	(79,984)	—	—	(79,984)
Finance costs	—	—	(119)	(4,079)	(312)	—	(4,510)
Other expenses	—	—	(31)	(82)	(1,966)	110	(1,969)
Share of losses of associates	—	—	—	—	(314)	—	(314)
Provision provided for impairment losses on financial assets, net	294	30	109	—	—	—	433
Profit/(loss) before tax	41,568	(2,532)	(177)	(182,813)	(14,093)	—	(158,047)
Income tax (expense)/credit	—	—	(335)	3,709	—	—	3,374
Unallocated income tax expense	—	—	—	—	—	—	(5,836)
Profit/(loss) for the period	41,568	(2,532)	(512)	(179,104)	(14,093)	—	(160,509)

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenue		
Revenue from contracts with customers	**229,320**	166,131
Revenue from other sources:		
Gross rental income	**248**	263
	229,568	166,394
Other income and gains		
Government grants	**5,245**	7,267
Investment income	**2,060**	1,442
Fair value gains on financial assets at fair value through profit or loss	**1,529**	—
Bank interest income	**764**	2,870
Foreign currency exchange gain, net	**—**	1,257
Others	**882**	163
	10,480	12,999

5. LOSS BEFORE TAX

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

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Cost of services and products	**49,012**	29,629
Depreciation of items of property, plant and equipment	**18,324**	11,307
Depreciation of right-of-use assets	**2,798**	1,412
Depreciation of investment properties	**58**	60
Amortization of other intangible assets	**1,826**	1,273
Provision for/ (reversal of) impairment of trade receivables, net	**1,231**	(433)
Write-down of/(reversal of) inventories to net realizable value	**344**	(143)
Lease payments not included in the measurement of lease liabilities	**545**	489
Auditors' remuneration	**123**	100
Employee benefit expense (including directors' remuneration):		
Wage and salaries	**128,038**	88,121
Equity-settled share-based compensation expenses	**14,510**	7,462
Pension scheme contributions (defined contribution schemes)	**7,066**	2,887
	149,614	98,470
Research and development costs	**113,858**	80,634
Exchange differences, net	**3,001**	(1,257)
Fair value loss of warrant liability	**1,600**	—
Loss on disposal of items of property, plant and equipment	**931**	901
Listing expense	**—**	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

6. INCOME TAX

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current income tax expense		
Charge for the period	**2,545**	2,352
Overprovision in prior periods	**55**	448
Income tax refund	**—**	(3,709)
Deferred income tax expense	**3,325**	3,371
Total tax charge for the period	**5,925**	2,462

7. DIVIDENDS

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Dividends on ordinary shares during the period	**—**	14,879

On June 5, 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 on the NASDAQ Global Select Market.

The Board resolved not to declare any interim dividend for the six months ended 30 June, 2021.

8. 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 Reporting Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,975,736,267 (for the six months ended June 30, 2020: 1,883,243,651) in issue during the Reporting Period.

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

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation:		
From continuing operations	**(91,122)**	(113,092)

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period	**1,984,503,812**	1,888,677,605
Effect of share repurchased	**(8,767,545)**	(5,433,954)
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**1,975,736,267**	1,883,243,651

The diluted loss per share is the same as the basic loss per share because the effect of share option is anti-dilutive for the six months ended June 30, 2021 and 2020.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2021, the Group acquired items of property, plant and equipment with a cost of approximately US$69,474,000 (for the six months ended June 30, 2020: approximately US$50,439,000).

Assets with a net book value of approximately US$2,330,000 were disposed of by the Group during the six months ended June 30, 2021 (for the six months ended June 30, 2020: approximately US$2,483,000), resulting in a net loss on disposal of approximately US$931,000 (for the six months ended June 30, 2020: approximately US$901,000).

As at June 30, 2021, assets with a net book value of US$3,863,000 were pledged as security for interest-bearing bank loans as set out in note 17 (as at December 31, 2020: US$4,262,000).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Financial assets at fair value through profit or loss		
Unlisted equity investments, at fair value	**11,240**	10,555
Investment in financial products, at fair value	**1,644**	5,866
	12,884	16,421

11. TRADE AND NOTES RECEIVABLES

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Trade receivables	**90,744**	140,266
Notes receivable	**5,890**	4,708
	96,634	144,974
Less: Impairment of trade receivables	**(3,999)**	(3,226)
	92,635	141,748

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

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Within 3 months	**83,789**	133,185
3 months to 6 months	**2,648**	1,652
6 months to 12 months	**904**	1,894
Over 1 year	**3,403**	3,535
	90,744	140,266

12. FINANCIAL INVESTMENT MEASURED AT AMORTIZED COST

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Financial investment measured at amortized cost	**29,849**	—

Financial investment measured at amortized cost was related to commercial paper issued by a financial institution with principal amount of US$30,000,000, discounted bid yield of 0.5% per annum and one-year maturity date as June 1, 2022.

13. RESTRICTED CASH

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Frozen for the Investigation	**1,548**	4,245
Pledged for bills payable	**741**	2,970
Pledged for credit cards	**256**	256
	2,545	7,471

14. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Cash and bank balances	**957,615**	629,058
Time deposits	**213,392**	136,245
	1,171,007	765,503
Less:		
Non-pledged time deposits with original maturity of more than three months when acquired	**(213,392)**	(136,245)
Cash and cash equivalents	**957,615**	629,058

15. TRADE AND BILLS PAYABLES

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Trade payables	**25,807**	19,986
Bills payable	**1,437**	3,390
	27,244	23,376

An ageing analysis of the trade payables as at the end of the Reporting Period based on the invoice date, is as follows:

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Within 3 months	**22,007**	18,880
3 months to 6 months	**2,301**	351
6 months to 12 months	**786**	510
Over 1 year	**713**	245
	25,807	19,986

Trade payables are not interest-bearing and are normally settled on 60 to 90 days.

16. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Accrued expenses	**64,740**	68,874
Payables for purchases of machinery and construction of buildings	**40,788**	35,801
Accrued payroll - current	**35,584**	40,697
Taxes payable other than corporate income tax	**22,388**	4,829
Payables for employees exercising share options	**21,657**	14,166
Other payables	**6,924**	4,613
	192,081	168,980

17. INTEREST-BEARING LOANS AND BORROWINGS

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Non-current		
Secured	**904**	1,260
Unsecured	**17,310**	—
Current		
Secured	**543**	581
Unsecured	**20,003**	44,061
	38,760	45,902
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**20,546**	44,642
In the second year	**543**	581
In the third to fifth years, inclusive	**361**	679
Other borrowings repayable:		
No agreed repayment period	**17,310**	—
	38,760	45,902

As at June 30, 2021, certain of the Group's bank loan is secured by the land and buildings in property plant and equipment and investment property with book value of approximately US$11,081,000 (as at December 31, 2020: US$11,988,000).

18. CONTRACT LIABILITIES

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Non-current		
License and collaboration revenue	**254,695**	277,052
Current		
License and collaboration revenue	**56,140**	55,014
Rendering of services	**30,849**	29,143
Sales of products	**256**	257
	341,940	361,466

19. WARRANT LIABILITY

	As at June 30, 2021 (Unaudited) *US$'000*
At January 1, 2021	**—**
Issuance of the warrants on May 21, 2021	**81,700**
Fair value loss of the warrant liability	**1,600**
At June 30, 2021	**83,300**

20. SHARE CAPITAL AND SHARE PREMIUM

Shares

	As at June 30, 2021 (Unaudited) *US$'000*	As at December 31, 2020 (Audited) *US$'000*
Authorized:		
Ordinary shares (of US$0.001 each)	**5,000**	5,000
Issued and fully paid:		
Ordinary shares (of US$0.001 each)	**2,081**	1,954

A summary of movements in the Company'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, 2021	**1,953,283,180**	**1,954**	**(16,712)**	**1,066,547**	**1,051,789**
Acquisition of equity by non-controlling shareholders	**—**	**—**	**—**	**35**	**35**
Issuance of shares and warrant of the Company and its subsidiary	**102,981,853**	**103**	**—**	**173,349**	**173,452**
Exercise of share options	**23,951,111**	**24**	**384**	**15,457**	**15,865**
At June 30, 2021 (unaudited)	**2,080,216,144**	**2,081**	**(16,328)**	**1,255,388**	**1,241,141**

21. CONTINGENT LIABILITY

On September 17, 2020, the Customs Anti-Smuggling Department (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 (the "**Investigation**"). In May 2021, certain subsidiaries and employees of the Company and Dr. Zhang Fangliang had been informed by the Zhenjiang Customs Anti-Smuggling Branch that the Investigation has been completed, and their respective matter had been handed over to the Zhenjiang Municipal People's Procuratorate (the "**Procuratorate**") for examination and prosecution. To the best of the Company's knowledge, as of the date this announcement, no formal charges have been made or filed against any entity or individual.

The bank balances frozen by the Authority in connection with the Investigation were approximately US$1,548,000 as at June 30, 2021 (December 31, 2020: US$4,245,000) with a frozen period from March 24, 2021 to September 23, 2021.

As there are no formal charges made against any entity or any individual, 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 June 30, 2021. 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 as of the date of this announcement.

EXTRACT OF INDEPENDENT REVIEW REPORT

The following is an extract of the independent review report for the period ended June 30, 2021:

Emphasis of Matter

We draw attention to note 23 to the condensed consolidated financial statements and the Company's announcements dated September 18 and 21, 2020, November 22, 2020, February 9, 2021 and May 25, 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 People's Republic of China ("**PRC**"). No accrual was made in the condensed consolidated financial statements as at June 30, 2021 as the Company is not able to make a sufficiently reliable estimate of the amount of the obligation. Our conclusion is not modified in respect of this matter.

Conclusion

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

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 four well established 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 the six months ended June 30, 2021 (the "**Reporting Period**") respectively.

The Group has been inspired by the mission "Make People and Nature Healthier through Biotechnology" since it was founded 19 years ago. Our clients' business need is the Group's first priority and the ultimate cornerstone for pursuing its long term development. We have been improving our clients' competitiveness through providing our quality, fast-delivery and cost-effective services and products. Internally, we focus on streamlining our operational workflows and procedures with the aim to strive for the highest quality of end-to-end delivery. Externally, we actively promote the value of strategic collaboration with business partners with the vision to build a healthy biotech eco-system. We would like to contribute more of our efforts to speed up the evolution of the whole biotech and biopharma industry, to realize multi-win among all the participating partners in this industry.

The Group's business operations span over 100 countries worldwide with our legal entities located in the United States (the "**U.S.**"), Mainland China ("**PRC**"), Hong Kong, Japan, Singapore, Netherlands, Ireland, United Kingdom and Belgium. Our professional workforce has increased to approximately 4,558 headcounts as at June 30, 2021.

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 64,700 international peer reviewed journal articles as at June 30, 2021.

The biologics development services segment (CDMO platform) provides end-to-end gene and cell therapy development and biologics discovery and development services to pharmaceutical, biotech, government and academic customers worldwide. The team focused on expending the Good Manufacturing Practice ("**GMP**") capabilities during the Reporting Period. 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 majority-owned subsidiary of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Legend's lead product candidate, ciltacabtagene autoleucel (cilta-cel; JNJ-4528/LCAR-B38M CAR-T cells), 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**"). Legend's clinical results achieved to date demonstrate that cilta-cel has the potential to deliver deep and durable antitumor responses in patients with relapsed or refractory multiple myeloma ("**RRMM**") 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 and completed in the quarter ended March 31, 2021 together with Legend's collaborator, Janssen. Legend's new pipeline CAR-T programs have been under active development, and the FDA cleared Legend's Investigational New Drug application for LB1901 in relapsed or refractory T-cell lymphoma in December 2020. Please refer to the 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

For the six months ended June 30, 2021, the Group's overall revenue increased by 38.0% to approximately US$229.6 million (the same period in 2020: approximately US$166.4 million). Gross profit was approximately US$138.6 million, representing an increase of 28.1% from approximately US$108.2 million for the same period in 2020. The loss attributable to the shareholders of the Company (the "**Shareholders**") was approximately US$91.1 million, whilst the loss attributable to the Shareholders of approximately US$113.1 million was recorded for the same period of 2020.

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 63.7%, 13.6%, 7.8%, 14.8%, and 0.1%, respectively, of the total revenue of the Group.

Results Analysis of the Four Business Segments

Life-science Services and Products

During the Reporting Period, revenue of life-science services and products amounted to approximately US$152.0 million, representing an increase of 32.2% (the same period in 2020: approximately US$115.0 million. The gross profit was approximately US$91.7 million, representing an increase of 17.6% as compared with approximately US$78.0 million for the same period in 2020. During the Reporting Period, the segment operating profit of life-science services and products was approximately US$52.2 million, representing an increase of 25.5% from approximately US$41.6 million for the same period in 2020.

The growth of revenue was mainly attributable to the (i) expanded capacity and productivity in molecular biology and oligo synthesis, (ii) continued growth in protein and reagent antibody production services, (iii) successful development of new accounts, and partially offset by (iv) the decrease in COVID-19 related products. The decrease in gross profit margin was primarily attributable to the (i) significant decrease of exchange rate of USD against RMB as compared to the same period of last year, caused an increase of converted cost as most part of production cost occurs in Mainland China, (ii) change of product portfolio strategy which caused higher proportion of products with lower gross profit margin, and (iii) increased freight and duty costs. The increase in operating profit was primarily attributable to the (i) increased revenue, (ii) increased efficiency and profitability of oligo synthesis service resulted from capacity development, and (iii) continuous improvement of operation efficiency in both commercial and management team. The increase in operating profit was partly offset by unfavorable exchange rate movements.

Biologics Development Services

During the Reporting Period, revenue of biologics development services amounted to approximately US$31.5 million, representing an increase of 65.8% (the same period in 2020: approximately US$19.0 million). The gross profit was approximately US$10.0 million, representing an increase of 112.8% as compared with approximately US$4.7 million for the same period in 2020. The gross profit margin increased from 24.7% for the same period last year to 31.7% this year. During the Reporting Period, the operating loss of biologics development services was approximately US$2.4 million.

The rapid growth of revenue was mainly attributable to the (i) significant increase of customer projects for antibody and protein drug development, (ii) significant increase in plasmid and viral vector revenue from the booming development in gene and cell therapies ("**GCT**") and mRNA vaccines, (iii) improved capacity for pre-clinical and clinical development, (iv) improvement of delivery quality and turnaround time, and (v) new and upgraded service offering and integrated service package which contributed to extra opportunities and better market awareness. The operating loss was primarily attributable to the (i) continuous investment in selling and distribution to build a robust pipeline of future projects, and (ii) investment into research and development for the establishment of adeno-associated virus ("**AAV**") platform and optimization of lentivirus ("**LVV**") platform and plasmid platform, as well as development and optimization of antibody production process platform.

Industrial Synthetic Biology Products

During the Reporting Period, revenue for industrial synthetic biology products increased by 60.7% to approximately US$18.0 million (the same period in 2020: approximately US$11.2 million). The gross profit was approximately US$5.1 million, representing an increase of 18.6% as compared with approximately US$4.3 million for the same period in 2020. During the Reporting Period, the operating loss of industrial synthetic biology products was approximately US$0.4 million.

The growth of the revenue was mainly attributable to the (i) launch of innovative products such as Catalse and Amylase, (ii) increased penetration into big industrial customers by providing upgraded marketing strategy from a product seller to a solution provider, and (iii) business development in overseas area. 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) reinforcement in marketing activities for our core products and sales force expansion to enhance coverage and market share for our products quickly, and (iii) investment into synthetic biology area such as using enzymatic process to produce high value industrial products.

Cell Therapy

During the Reporting Period, revenue of cell therapy increased by 46.8% to approximately US$33.9 million (the same period in 2020: approximately US$23.1 million). The gross profit was approximately US$33.9 million, representing an increase of 46.8% as compared with approximately US$23.1 million for the same period in 2020. During the Reporting Period, the operating loss of cell therapy was approximately US$172.5 million.

The increase in both revenue and gross profit was primarily attributable to additional milestones achieved in December 2020 and May 2021 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) higher number of clinical trials with more patients enrolled and a higher number of research and development product candidates, (ii) expansion of Legend's supporting administrative functions to aid continued research and development activities, and (iii) growth in the cost associated with commercial preparation activities for cilta-cel.

FINANCIAL REVIEW

	For the six months ended June 30,		
	2021	2020	Change
	(Unaudited)	(Unaudited)	
	US$'000	*US$'000*	
Revenue	**229,568**	166,394	38.0%
Gross profit	**138,619**	108,173	28.1%
Net loss	**(156,149)**	(160,509)	(2.7)%
Loss attributable to the Shareholders	**(91,122)**	(113,092)	(19.4)%
Basic loss per share *(US$)*	**(0.0461)**	(0.0601)	(23.3)%
Diluted loss per share *(US$)*	**(0.0461)**	(0.0601)	(23.3)%

Revenue

During the Reporting Period, the Group recorded revenue of approximately US$229.6 million, representing an increase of 38.0% from approximately US$166.4 million for the same period of 2020. This is mainly attributable to (i) the continued increase from life science services and products from major strategic customers and new competitive services and products, (ii) the growth in biologics development services as project numbers continued to increase, and (iii) the increase of contract revenue derived from Legend's collaboration with Janssen with new milestones achieved.

Gross profit

During the Reporting Period, the Group's gross profit increased by 28.1% to approximately US$138.6 million from approximately US$108.2 million for the same period of 2020. The increase in gross profit was mainly attributable to the (i) rapid growth of revenue, especially in life-science, biologics CDMO and cell therapy business, and (ii) improved capacity utilization and production efficiency. The increase in gross profit was partially offset by unfavorable exchange rate fluctuation and increased shipping costs.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses increased by 41.8% to approximately US$58.3 million from approximately US$41.1 million for the same period in 2020. This increase is mainly driven by the (i) increased investment into the commercial talent pool by recruiting more experienced personnel and improved incentive packages, (ii) increased marketing and advertising expenses, primarily attributable to the global expansion of our business, and (iii) the increased marketing expenses related to Legend's collaboration with Janssen.

Administrative expenses

During the Reporting Period, the administrative expense increased by 54.7% to approximately US$56.3 million from approximately US$36.4 million for the same period in 2020. This is mainly attributable to the (i) reinforcement of some key administrative functions such as information technology, supply chain and legal to build up capable and professional administrative team to support the Group's overall business expansion, and (ii) one-time consultation expenses and other costs related to the Investigation.

Research and development expenses

During the Reporting Period, the research and development expenses increased by 51.6% to approximately US$175.1 million from approximately US$115.5 million for the same period in 2020. This is mainly attributable to the (i) increase in clinical trial expenses and preclinical study costs, especially in the cell therapy segment related to Legend's collaboration with Janssen, (ii) investment in new challenging research and development projects, which will significantly strengthen our competitiveness in the GCT market and related supply chain, (iii) investment in development projects that improved our production efficiency, and (iv) increase in compensation package including shared-based payment for research and development personnel.

Income tax expense

During the Reporting Period, the income tax expense increased from approximately US$2.5 million for the same period in 2020 to approximately US$5.9 million in 2021. The Group applied a tax refund under the tax preferences issued because of the outbreak of COVID-19 in 2020, which was not applicable in 2021.

Fair value loss of warrant liabilities

On May 13, 2021 (New York time), Legend entered into a subscription agreement with an investor relating to the offer and sale of 20,809,850 ordinary shares of Legend in a private placement at a purchase price of US$14.41625 per ordinary share of Legend (the "**Legend Offering**"). The total proceeds from the Legend Offering is US$300.0 million. Pursuant to the subscription agreement, Legend also issued concurrently with the Legend Offering a warrant (the "**Warrant**") exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend (such transaction together with the Legend Offering, the "**Legend Subscription**"). The completion of the Legend Subscription took place on May 21, 2021 (the "**Closing Date**"). The Warrant will be exercisable, in whole or in part, at an exercise price of US$20.0 per ordinary share of Legend. The Warrant is exercisable after the Closing Date and prior to the two-year anniversary of the Closing Date. Please refer to the announcements of the Company dated May 14, 2021 and May 23, 2021 for details.

The Warrant is accounted for as a financial liability because the Warrant may be net share settleable at the holder's option. The fair value of the warrant liability is assessed at US$81.7 million and is recognized upon closing of the transaction. As of June 30, 2021, its fair value is assessed at US$83.3 million. A fair value loss of US$1.6 million is recorded for the six months ended June 30, 2021 due to change in fair value.

Net Loss

During the Reporting Period, net loss of the Group was approximately US$156.1 million, whilst the net loss for the same period of 2020 was approximately US$160.5 million.

MATERIAL ACQUISITIONS AND DISPOSALS

Deemed disposal of equity interest in Legend

On May 21, 2021, the Legend Subscription 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 Listing Rules. Please refer to the announcements dated May 14, 2021 and May 23, 2021 for details.

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.

Deemed disposal of equity interest in Probio Cayman

On August 18, 2021 (New York time), Probio Technology Limited ("**Probio Cayman**"), an indirectly wholly owned subsidiary of the Company as at the date of this announcement, entered into a purchase agreement (the "**Probio Cayman Purchase Agreement**") with certain investors, whereby Probio Cayman agreed to sell certain series A preferred shares of Probio Cayman and a warrant exercisable for ordinary shares of Probio Cayman (the "**Probio Cayman Purchase**"). As at the date of this announcement, the closing of the Probio Cayman Purchase has not yet took place. The closing of the Probio Cayman Purchase will result in a reduction of the percentage shareholding of the Company in Probio Cayman and constitute a deemed disposal of the Company's equity interests in Probio Cayman pursuant to Rule 14.29 of the Listing Rules. Please refer to the announcement of the Company dated August 19, 2021 for details.

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

Provision, Contingent liabilities and guarantees

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

In May 2021, certain subsidiaries and employees of the Company and Dr. Zhang Fangliang had been informed by the Authority that the Investigation has been completed, and the respective matter had been handed over to the Zhenjiang Municipal People's Procuratorate (the "**Procuratorate**") for examination and prosecution. Please refer to our announcement dated May 25, 2021 for details.

As at June 30, 2021 and as at the date of this announcement, bank balances of RMB10.0 million (equivalent to approximately US$1.5 million) were frozen by the Authority related to the Investigation.

As at the date of this announcement, to the best of the Company's knowledge, no formal charges have been made or filed against any entity or individual. 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 case. 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 case. As at the date of this announcement, the Group's business operations remained normal.

As at June 30, 2021, the Group did not have any material contingent liabilities or guarantees.

Current ratio and gearing ratio

As at June 30, 2021, the Group's current ratio (current assets to current liabilities) was approximately 3.3 (as at December 31, 2020: 3.0), and gearing ratio (total liabilities to total assets) was approximately 38.6% (as at December 31, 2020: 43.7%).

Bank loans and other borrowings

As at June 30, 2021, Nanjing GenScript Biotech Co., Ltd. ("**GS China**") borrowed a short-term interest-bearing loan from Citi Bank for an amount of RMB36.0 million (equivalent to approximately US$5.6 million) with a fixed annual interest rate at 3.4%, which was secured by credit. GS China used such loans to purchase raw materials and replenish working capital.

As at June 30, 2021, Jiangsu GenScript Biotech Co., Ltd. ("**GS Jiangsu**") borrowed a short-term interest-bearing loan from CITIC Bank for an amount of RMB48.0 million (equivalent to approximately US$7.4 million) with a fixed annual interest rate at 3.2%, which was secured by credit. GS Jiangsu used such loans to purchase raw material and replenish working capital.

As at June 30, 2021, 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 0.6%. GS HK used such loan to purchase goods and replenish working capital.

As at June 30, 2021, GenScript Japan Inc. ("**GS JP**") borrowed a long-term interest-bearing loan from Mizuho Bank for a total amount of JYP160.0 million (equivalent to approximately US$1.5 million) with a floating interest rate at the TIBOR (Tokyo interbank Offered Rate) rate plus 0.25%, which was secured by the building and freehold land held by GS JP. GS JP used such loan to purchase building.

As at June 30, 2021, Legend took a funding advance amounted to US$17.3 million with a collaborator. Pursuant to the collaboration and license agreement entered into with the collaborator, Legend is entitled to receive funding advances from the collaborator when certain operational conditions are met. As a result, Legend took a funding advance amounted to US$17.3 million by reducing the same amount of other payables due to the collaborator (the "**Funding Advance**") on June 18, 2021.

This Funding Advance is accounted for as an interest-bearing borrowing funded by the collaborator, constituted by a principal and applicable interests upon such principal. The interest rate is based on the average annual LIBOR for U.S. Dollars as reported in the Wall Street Journal on a quarterly basis on the due date, plus 2.5%, calculated on the number of days from the date on which Legend applied such borrowings. For the Funding Advance, its interest started to accrue from June 18, 2021.

Pursuant to the terms of the collaboration and license agreement, the collaborator may recoup the aggregate amount of funding advances together with interest thereon from Legend's share of pre-tax profits for the first profitable year under the collaboration program. The Company's management estimated the loan will not be recouped by the collaborator within one year, thus the loan was classified as a long-term liability.

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

Future plans for material investments or capital assets

The Group plans to aggressively build manufacturing capacity globally to satisfy the strong customer demand it is observing.

For life science services and products, the Group plans to continue to invest to upgrade and expand automated gene synthesis and related molecular biology capacity in China and the U.S., expand peptide and oligo synthesis capacity in China, build protein and cell engineering facility in Singapore, and establish GMP grade manufacturing capacity in China for key reagents and equipment in the GCT supply chain.

For biologics development service, the Group plans to expand antibody discovery, process development and GMP manufacturing capacity in China, and build more GMP manufacturing facilities both in China and the U.S. for plasmid and virus production.

The Group also plans to invest to upgrade supply chain and IT infrastructures as well as other supporting functions to improve operating efficiency and accommodate the rapid business growth we are expecting.

Save as disclosed above, there was no other specific plan of material investments or capital assets as of June 30, 2021.

Regulatory risk

The Biosecurity Law of the PRC (《中華人民共和國生物安全法》) (the "**Biosecurity Law**"), promulgated by the Standing Committee of National People's Congress on October 17, 2020 and came into effect on April 15, 2021, establishes an integrated system to regulate biosecurity-related activities in China, including the security regulation of human genetic resources (the "**HGR**") and biological resources. The Biosecurity Law declares that China enjoys sovereignty over its HGR and biological resources and further endorsed the Regulation for the Administration of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》) by recognizing the fundamental regulatory principles and systems established by it over the preservation, collection, transaction or exportation of China's HGR by foreign organizations and individuals. Although the Biosecurity Law does not provide any specific new regulatory requirements on the HGR, it grants China's major regulatory authorities of HGR, i.e. the Ministry of Science and Technology, significantly more power and discretion to regulate the HGR. It is expected that the overall regulatory landscape for China's HGR will evolve and become even more rigorous. In addition, the interpretation and application of the data protection laws and regulations in China and elsewhere in the world are often uncertain and constantly changing.

The Group has formed a biosecurity committee which comprises professionals with years of experiences and diversified backgrounds in different industries and functions. The committee members are responsible for actively following new laws, regulations and guidelines published by regulatory authorities and promoting improvements in the compliance of the Group with such laws, regulations and guidelines.

Risks related to international trade agreements, tariffs and import/export regulations

In recent years, there have been more material uncertainties arose in international trade agreements, tariffs and import/export regulations. The momentum of international trade protectionism and unilateralism is growing. The U.S. and the PRC governments have held numerous rounds of negotiations. If any new legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, or if the U.S. or the PRC imposes additional burdens on international trade that negatively affect the ability of both countries to import and export goods, it may lead to a decline in material supply and demand of the Group's services. In order to mitigate this, the Group has continuously increased the layout of global service capacities.

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 the U.S. dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. Since January 2019, the Group has engaged in 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 rates and short-term deposits and financial investment measured at amortized cost with fixed interest rates, the Group has financial products of approximately US$1.6 million related to fair value interest rate risk. The interest rates risk arising from bank loans are low as the interest rates are fixed for short-term period or even floating with relatively low rates to take advantage of the lower rates thus available.

Credit risk

The carrying amounts of cash and cash equivalents, trade and notes receivables, 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 all customers and counterparties. These evaluations focus on the counterparties' financial position, past history of payments, and take into account information specific to the counterparties as well as pertaining to the economic environment in which the counterparties 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, research institutes and pharmaceutical and biotech companies in China, as well as occasionally with other customers in the United States, Europe and Singapore. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balances by semi-year to ensure adequate impairment losses are made for irrecoverable amounts.

No material adverse change

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since June 30, 2021 and up to the date of this announcement.

Charges on group assets

As at June 30, 2021, the building and freehold land located in Tokyo, Japan of approximately JPY1.2 billion (equivalent to approximately US$11.1 million) was pledged by GS JP to secure a loan of JPY160.0 million (equivalent to approximately US$1.5 million).

As at June 30, 2021, the notes receivables of approximately US$464,000 and bank balances of approximately US$741,000 were pledged by subsidiaries incorporated in the PRC for notes payable of approximately US$464,000 and US$892,000 respectively. And bank balances of approximately US$256,000 were pledged by Legend Biotech USA Incorporated ("**Legend USA**") for credit cards.

Save as disclosed above, as of June 30, 2021, the Group did not have any other charges over its assets.

Working capital and financial resources

As at June 30, 2021, the cash and cash equivalents of the Group amounted to approximately US$957.6 million (as at December 31, 2020: approximately US$629.1 million). As at June 30, 2021, the restricted cash of the Group amounted to approximately US$2.5 million (as at December 31, 2020: approximately US$7.5 million).

As at June 30, 2021, the Group had available unutilized bank facilities of approximately US$60.1 million (as at December 31, 2020: approximately US$178.3 million).

Capital expenditure

During the Reporting Period, capital expenditure incurred in purchasing intangible assets, namely software, patents and license was approximately US$2.7 million, capital expenditure incurred in purchasing property, plant and equipment and construction in process was approximately US$68.8 million.

Employees and remuneration policies

As of June 30, 2021, the Group had a total of approximately 4,558 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, salaries, employees' benefits, responsibility 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 their experience, number of years with the Group, and other general factors.

During the Reporting Period, the Group's total expenses on the remuneration of employees (including the Directors) was approximately US$149.6 million, representing 65.2% of the total revenue of the Group. This significant increase in labor costs had been viewed by the Group as the necessary long term investment in our talents pool. This investment has demonstrated the Group's desires and resolutions to continue to strengthen its talent uplifting strategy. This talent uplifting strategy not only involves the recruitment of experienced professional and managerial personnel to fulfill the front line posts of research and development, commercial and production functions, but also systematically increases the overall salary and benefits packages to sustain the stability of the employees to drive for long term commitment and performance improvement as well.

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 a 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 (the "**Subsidiary Share Option Scheme**"). 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 options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on the Stock Exchange.

100,000 share options and 343,029 share options with an exercise price of HK$13.892 per share and HK$30.45 per share were granted under the Post-IPO Share Option Scheme to certain employees on March 31, 2021 and May 31, 2021, respectively. Please refer to our announcement dated March 31, 2021 and June 1, 2021 for details. Save as disclosed, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

213,906 restricted shares and 5,704,106 restricted shares were granted under the RSA Scheme to certain employees on March 31, 2021 and May 31, 2021, respectively. 415,524 restricted shares were granted under the RSA Scheme to certain Directors and chief executive on May 31, 2021. Please refer to our announcement dated March 31, 2021 and June 1, 2021 for details. Save as disclosed, no other shares have been granted under the RSA Scheme during the Reporting Period.

During the Reporting Period, 430,000 share options were granted under the Subsidiary Share Option Scheme. Save as disclosed, no other options have been granted under the Subsidiary Share Option Scheme during the Reporting Period.

1,843,186 restricted share units were granted under the 2020 Restricted Shares Plan on March 19, 2021, March 26, 2021, March 28, 2021, March 29, 2021, April 8, 2021, April 9, 2021, April 12, 2021, April 13, 2021, April 14, 2021, April 15, 2021, April 16, 2021, April 19, 2021, April 20, 2021, April 23, 2021, May 21, 2021, June 9, 2021, June 15, 2021 and June 22, 2021.

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

The number of employees of the Group categorized by function as of June 30, 2021 is set forth as follows:

Function	**Number of employees**	**Percentage of Total**
Production	1,708	37.5%
Sales and marketing	451	9.9%
Administration	646	14.2%
Research and development	978	21.4%
Management	775	17.0%
Total	4,558	100.0%

The Group's remuneration policy and structure for remuneration of the Directors and senior management of the Group are based on the Group's operating results, individual performance and comparable market statistics and are reviewed by the remuneration committee of the Company (the "**Remuneration Committee**") periodically.

The remuneration of the non-executive Directors is recommended by the Remuneration Committee and is decided by the Board, while the remuneration of the executive Directors and senior management members is determined by the Remuneration Committee, having regard to their merit, qualifications and competence, the Group's operating results and comparable market statistics.

IMPORTANT EVENTS

On February 5, 2021 (New York time), GenScript USA Inc. received authorization by the Center for Biologics Evaluation and Research of the FDA for use of the cPass™ SARS-CoV-2 Neutralization Antibody Detection Kit in convalescent plasma screening. The cPass™ is the first FDA authorized test that specifically detects COVID-19 neutralizing antibodies without the use of live virus. Please refer to the announcement of the Company dated February 7, 2021 for details.

In May 2021, the European Medicines Agency (the "**EMA**") has accepted Legend's Marketing Authorisation Application seeking approval of ciltacabtagene autoleucel (cilta-cel) for the treatment of patients with relapsed and/or refractory multiple myeloma. The acceptance confirms that the application is valid and marks the commencement of the EMA's assessment process. Please refer to the announcements dated April 30, 2021 and May 21, 2021 for details.

In May 2021, the sixth milestone relating to the clinical development of cilta-cel has 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$15,000,000 payable by Janssen for the sixth milestone. Please refer to the announcement of the Company dated May 21, 2021 for details.

On May 13, 2021 (New York time), Legend entered into a subscription agreement with an investor relating to (i) the offer and sale of 20,809,850 ordinary shares of Legend in a private placement at a purchase price of US$14.41625 per ordinary share of Legend, from which the total proceeds is US$300.0 million, and (ii) the issuing of a warrant exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend (the "**Legend Subscription**"). The completion the of Legend Subscription took place on May 21, 2021. Please refer to the announcements of the Company dated May 14, 2021 and May 23, 2021 for details.

On May 14, 2021, the Company and Hillhouse Capital Management, Ltd. entered into the binding term sheet in relation to the Series A financing of Probio Cayman (the "**Term Sheet**"). On August 18, 2021 (New York time), Probio Cayman entered into the Probio Cayman Purchase Agreement with the investors, whereby Probio Cayman agreed to sell certain series A preferred shares of Probio Cayman and a warrant exercisable for ordinary shares of Probio Cayman. As at the date of this announcement, the completion of the Probio Cayman Purchase has not taken place. Please refer to the announcements of the Company dated May 14, 2021, June 7, 2021 and August 19, 2021 for details.

On May 14, 2021, the Company and GNS Holdings Limited ("**GNS**") entered into a subscription agreement, pursuant to which GNS subscribed for 102,981,853 Shares issued by the Company under the general mandate ("**GenScript Subscription**"). The completion of GenScript Subscription took place on June 10, 2021. Please refer to the announcements of the Company dated May 14, 2021 and June 10, 2021 for details.

On May 14, 2021, Genscript Corporation ("**GS Corp**"), a controlling shareholder of the Company entered into an agreement with GNS, pursuant to which GS Corp sold and GNS purchased 61,789,112 Shares ("**GS Disposal**"). The completion of the GS Disposal took place on June 11, 2021. Please refer to the announcements of the Company dated May 14, 2021 and June 11, 2021 for details.

On May 26, 2021 (New York time), Legend announced that the FDA has accepted for priority review the Biologics License Application (BLA) submission for cilta-cel. Please refer to the announcement of the Company dated May 27, 2021 for details.

On June 22, 2021 (New York time), Legend announced that the establishment of a manufacturing facility in Belgium, as part of a joint investment with Janssen Pharmaceutical NV (Janssen), to expand global manufacturing capacity of innovative cellular therapies. Please refer to the announcement of the Company dated June 22, 2021 for details.

PROSPECTS

In the covid world, we are facing both significant challenges and significant opportunities in all of our businesses.

The covid pandemic globally has created difficulties for our sales and marketing team to connect with our customers in many parts of the world. Despite this, our team has employed new ways to listen to our customers' demand, demonstrate our products and services to our customers, and provide the highest quality services as we always do. We are seeing significant growth of online orders as an indication of our initial success in shifting customer engagement online in response to covid.

The covid pandemic has also placed significant strain on the global supply chain. Shipping rates have risen rapidly since the beginning of the year and hurt our gross profit as we did not choose to pass this cost onto our customers initially. As there is no sign of the shipping rate dropping back to the pre-covid level any time soon, we have now implemented actions to recoup some of the shipping costs so that we are not at a competitive disadvantage to many other competitors. On the other side, the Group also often faces long lead time in raw material and capital equipment purchases. The government measures aimed at containing the covid pandemic also created significant risks in shipping in and out of China. We have implemented new supply chain management measures and identified alternative trade routes and suppliers to ensure business continuity.

This pressure test on the global life science industry supply chain also revealed significant opportunities to the Group both present and in the future. Our sales and profit in China grew rapidly as we leverage our manufacturing availability to ensure customers with quality and turnaround time. As we are building more local manufacturing capacity outside of China, we will be better positioned to service global customers and win more business.

The global life science industry supply chain constrain also highlighted the need for localized supply of key reagents and equipment due to economic and geopolitical reasons. The Group is investing to commercialize key reagents and equipment employed in the GCT process in order to capture the booming demand in this area. Being a trusted supplier of such high value-added items with local manufacturing capability would give the Group the opportunity to address a fast growing market worth billions of dollars. Having built our own cell therapy business (Legend) and our own CDMO business for plasmid and viral vector (Probio) gives the Group unique insight into understanding customer needs and technical requirements. The Group intends to build up this business through investment in research and development, GMP manufacturing capacity, as well as collaborations with third parties.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended June 30, 2021, neither the Directors nor any of their close associates had any interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules as of the date of this announcement.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

USE OF NET PROCEEDS

Use of Proceeds from Top-up placing

On June 5, 2018, the Company entered into a placing and subscription agreement with GS Corp, one of the controlling shareholders of the Company (the "**Vendor**") and placing agents pursuant to which (i) the Vendor 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 Vendor subscribed for an aggregate of 75,000,000 shares of the Company of HK$26.50 per share (the "**Top-up Placing**"). The net proceeds of the Top-up Placing is approximately HK$2.0 billion (equivalent to approximately US$251.3 million). Please refer to the announcements 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, 2021 *US$ million*	Utilized amount during the Reporting Period *US$ million*	Unutilized amount as at June 30, 2021 *US$ million*	Intended year of application
Building up CAR-T R&D and production facility in China, the U.S. and Europe	0.9	0.9	—	Not applicable
Building up the GMP manufacturing facilities for plasmid and biologics products	68.5	18.7	49.8	2021 to 2022
Total	69.4	19.6	49.8	

Note: The figures for unutilized proceeds have been rescheduled as the changes of Group's strategy and the increase of the financing capability of Legend, compared with the disclosure in the annual results announcement for the year ended December 31, 2020 of the Company dated March 26, 2021.

Use of Proceeds from the Subscription Under General Mandate

On May 14, 2021, the Company and GNS entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which GNS subscribed for an aggregate 102,981,853 new Shares issued by the Company of HK$18.658 per Share under the Company's general mandate (the "**Subscription**"). The conditions of the Subscription Agreement have been fulfilled and the completion of the Subscription took place on June 10, 2021. The total amount of net proceeds received by the Company was approximately HK$1.9 billion (equivalent to approximately US$247.9 million). Please refer to the announcements dated May 14, 2021, June 7, 2021 and June 10, 2021.

A detailed breakdown and description of the use of the net proceeds from the Subscription is set forth as follows:

Item	Amount expected to be utilized *US$ million*	Utilized amount during the Reporting Period *US$ million*	Unutilized amount as at June 30, 2021 *US$ million*	Intended year of application
Investment in research and development	60.0	—	60.0	2021 to 2023
Expansion of manufacturing facilities	150.0	—	150.0	2021 to 2023
General working capital purpose	37.9	—	37.9	2021 to 2023
Total	247.9	—	247.9	

MODEL CODE FOR SECURITIES TRANSACTIONS OF THE DIRECTORS

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 incident 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.

CORPORATE GOVERNANCE

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 and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has been in compliance with the code provisions of the CG Code throughout the six months ended June 30, 2021.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**"). The Audit Committee currently consists of three members, namely Mr. Dai Zumian (Chairman), Mr. Pan Jiuan and Mr. Guo Hongxin, all of whom are independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee has together with the management and external auditors reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Group's unaudited consolidated interim results for the six months ended June 30, 2021.

SANCTIONS RISK CONTROL COMMITTEE

During the Reporting Period to the date of this announcement, the sanctions risk control committee of the Company (the "**Sanctions Risk Control Committee**") held two meetings on January 29, 2021 and March 26, 2021 to review the activities, relevant policies and procedures in relation to economic sanctions, the guidance on the compliance with contractual covenants including those made in connection with the Global Offering and Listing of Shares on the Stock Exchange, the use of proceeds, and the internal control policies and procedures with respect to the sanctions risks. The Sanctions Risk Control Committee reviewed the activities of the Group that may be subject to economic sanctions for the Reporting Period and monitored the Group's exposure to risks of sanctions violations. The Sanctions Risk Control Committee resolved that the activities that may be subject to economic sanctions were being monitored effectively and was satisfied with the effectiveness of the relevant policies, procedures, guidance, and internal control measures.

CHANGES IN DIRECTORS' AND EXECUTIVES' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information on the Directors and chief executives are as follows:

Mr. Dai Zumian resigned as the chief financial officer of Shanghai Sanxi Big Data Technology Co., Ltd.* (上海三熙大數據技術有限公司) in July 2021 and had been appointed as the chief financial officer of Shanghai Jiuli Information Service Co., LTD* (上海九曆信息服務有限公司) in June 2021.

After making specific enquiries by the Company and confirmed by the Directors, save as disclosed as above, no other changes in the information of any Directors after the date of the Annual Report 2020 that are required to be disclosed pursuant to paragraphs (a) to (e) and paragraph (g) of Rule 13.51(2) of the Listing Rules have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PUBLICATION OF THE UNAUDITED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT FOR THE REPORTING PERIOD ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This unaudited condensed consolidated interim results announcement for the Reporting Period is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.genscript.com), and the interim report for the Reporting Period containing all the information required by the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

PRESS RELEASE OF UNAUDITED FINANCIAL RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 BY A LISTED SUBSIDIARY — LEGEND BIOTECH CORPORATION

Legend, a non-wholly owned subsidiary of the Company, whose shares are listed by way of American depositary shares on the NASDAQ Global Select Market in the United States, has issued a press release regarding its unaudited financial results for the six months ended June 30, 2021 and 2020 and recent business highlights. The press release is available at the website of Legend at https://legendbiotech.com/wp-content/uploads/2021/08/Legend-Biotech-Reports-Second-Quarter-2021-Financial-Results-and-Recent-Highlights-2021-08-23-clean.pdf.

ACKNOWLEDGEMENT

The steady development of the Group has always been trusted and supported by the Shareholders, investors and business partners as well as the loyalty of our staff members. On behalf of the Board, I express my heartfelt gratitude.

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

Hong Kong, August 23, 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*