



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

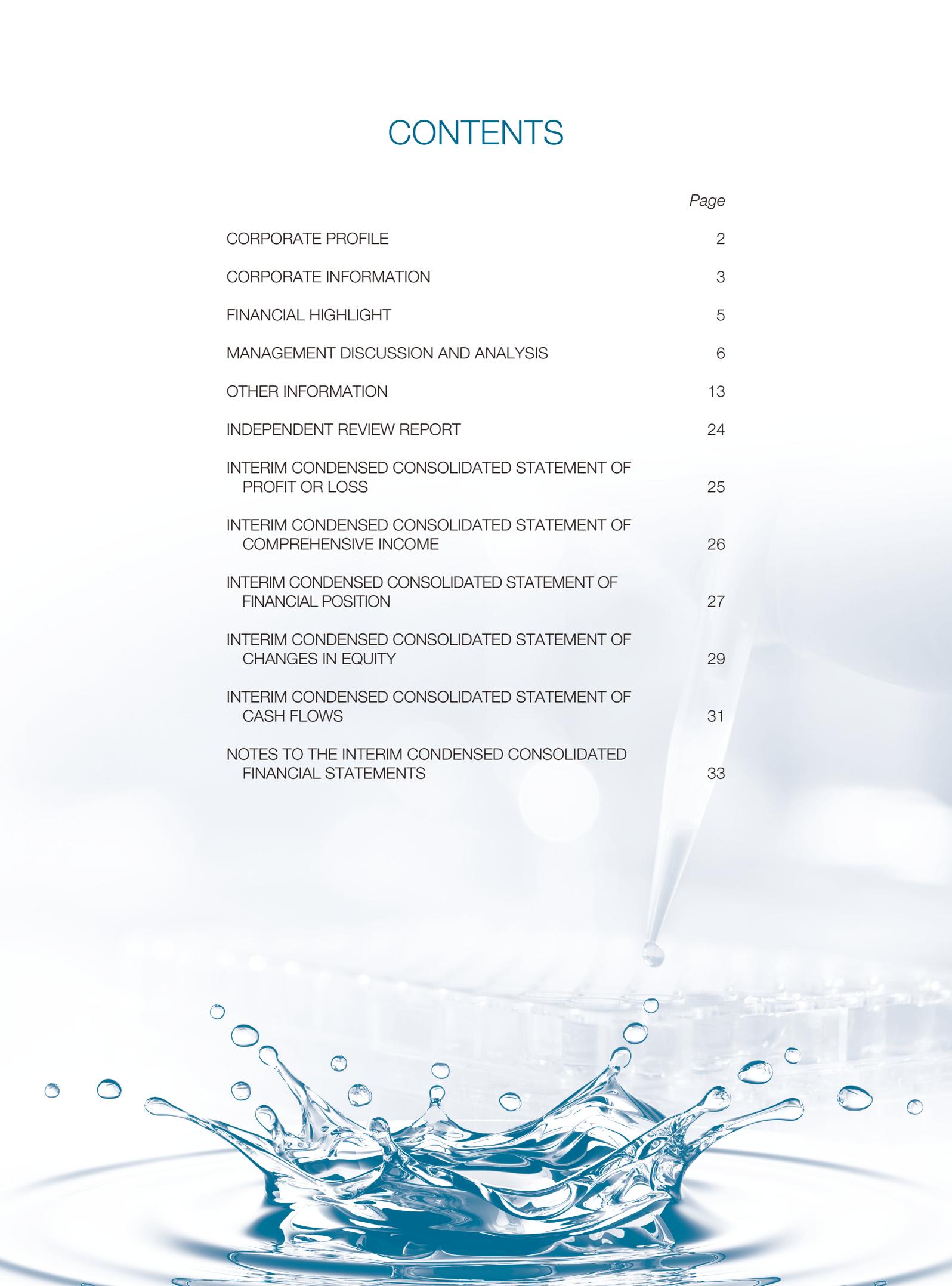


2016
Interim Report

* For identification purposes only

CONTENTS

	<i>Page</i>
CORPORATE PROFILE	2
CORPORATE INFORMATION	3
FINANCIAL HIGHLIGHT	5
MANAGEMENT DISCUSSION AND ANALYSIS	6
OTHER INFORMATION	13
INDEPENDENT REVIEW REPORT	24
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	25
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	26
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	27
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	29
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	31
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	33



CORPORATE PROFILE

Genscript Biotech Corporation (the “**Company**” or “**Genscript**”, together with its subsidiaries referred to as the “**Group**”) is a world leader in the global gene synthesis service market with recognized stature in synthetic biology.

The Group is a well-recognized life sciences research and application service and product provider with comprehensive portfolio coverage in the world. The broad and integrated life sciences research and application service and product portfolio comprises four segments, namely, (i) life sciences research services, (ii) life sciences research catalog products, (iii) preclinical drug development services, and (iv) industrial synthetic biology products. The services and products are primarily used by scientists and researchers for conducting fundamental life sciences research, translational biomedical research, and early stage pharmaceutical development. Its synthetic biology products are also used by industry users of industrial enzymes, such as those in the food industry. With a strong sales and marketing team and strong research and development capabilities, the Company maintains a stable and sustainable growth.

Originally founded in New Jersey in the United States in 2002, we have established an extensive direct sales network, reaching over 100 countries in North America, Europe, the PRC, Asia Pacific (excluding the PRC and Japan), and Japan. We have established a highly diversified customer base, including pharmaceutical and biotech companies, colleges and universities, research institutes, government bodies (including government testing and diagnostic centers), and distributors.

For the six months ended June 30, 2016 (the “**Reporting Period**”), the Group generated approximately 83.3%, 5.1%, 9.0%, and 2.6% of the total revenue from life sciences research services, life sciences research catalog products, preclinical drug development services, and industrial synthetic biology products, respectively.

CORPORATE INFORMATION

BOARD OF DIRECTORS (THE “BOARD”)

Executive Directors

Dr. Zhang Fangliang (*Chairman*)
Ms. Wang Ye
Mr. Meng Jiange

Non-Executive Directors

Dr. Wang Luquan
Mr. Huang Zuie-Chin (*also known as James Zuie Huang*)
Mr. Pan Yuexin

Independent Non-Executive Directors

Mr. Guo Hongxin
Mr. Dai Zumian
Ms. Zhang Min

AUDIT COMMITTEE

Mr. Dai Zumian (*Chairman*)
Ms. Zhang Min
Mr. Guo Hongxin

REMUNERATION COMMITTEE

Mr. Guo Hongxin (*Chairman*)
Ms. Wang Ye
Mr. Dai Zumian

NOMINATION COMMITTEE

Dr. Zhang Fangliang (*Chairman*)
Ms. Zhang Min
Mr. Dai Zumian

SANCTIONS RISK CONTROL COMMITTEE

Dr. Zhang Fangliang (*Chairman*)
Ms. Wang Ye
Mr. Meng Jiange
Dr. Dong Nan
Mr. Eric Wang
Mr. Shawn Wu

COMPANY SECRETARY

Ms. Wong Wai Ling

AUTHORISED REPRESENTATIVES

Dr. Zhang Fangliang
Mr. Meng Jiange

LEGAL ADVISER

Hong Kong Law:
Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen’s Road Central
Hong Kong

AUDITOR

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

COMPLIANCE ADVISER

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 28, Yongxi Road
Jiangning Science Park
Nanjing
Jiangsu Province
PRC

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street, George Town
P.O. Box 10240, Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

4th Floor, Harbour Place
103 South Church Street, George Town
P.O. Box 10240, Grand Cayman KY1-1002
Cayman Islands

COMPANY WEBSITES

www.genscript.com
www.bestzyme.com

STOCK CODE

1548

LISTING DATE

December 30, 2015

PRINCIPAL BANKERS

Bank of America, N.A.
Hong Kong Branch
20th Floor, Tower 2
Kowloon Commerce Centre
51 Kwai Cheong Road
Kwai Chung
Hong Kong

Bank of America Scotch Plains Office

336 Park Avenue
Scotch Plains
NJ 07076
USA

Yueyahu Branch of China Merchant Bank

No. 88, Mu Xu Yuan Street
Nanjing
PRC

FINANCIAL HIGHLIGHT

- For the six months ended June 30, 2016, the revenue of the Group was approximately US\$53.2 million, representing an increase of 29.4% as compared with US\$41.1 million for the same period of 2015.
- For the six months ended June 30, 2016, the gross profit increased by 33.5% from US\$26.9 million for the same period of 2015 to US\$35.9 million.
- For the six months ended June 30, 2016, the net profit of the Group increased by 131.6% from approximately US\$5.7 million for the same period of 2015 to approximately US\$13.2 million.
- For the six months ended June 30, 2016, the profit attributable to the shareholders of the Company increased by 131.6% from approximately US\$5.7 million for the same period of 2015 to approximately US\$13.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

For the six months ended June 30, 2016, the Group's overall revenue increased by 29.4% to US\$53.2 million (the same period in 2015: US\$41.1 million). Gross profit was US\$35.9 million, representing an increase of 33.5% from US\$26.9 million for the same period in 2015. Gross profit margin maintained at a relatively stable level of 67.5% (the same period in 2015: 65.4%). The profit attributable to the shareholders of the Company (the "Shareholders") was approximately US\$13.2 million, increased by 131.6% as compared with US\$5.7 million for the same period as at June 30, 2015.

During the Reporting Period, the revenue of life sciences research services, life sciences research catalog products, preclinical drug development services, and industrial synthetic biology products accounted for approximately 83.3%, 5.1%, 9.0%, and 2.6%, respectively, of the total revenue of the Group.

Results Analysis of the Four Business Segments

1. Life Sciences Research Services

During the Reporting Period, revenue of life sciences research services amounted to US\$44.3 million, representing an increase of 20.4% (the same period in 2015: US\$36.8 million). Gross profit margin varied from 66.3% for the same period last year to 69.5% this year, and maintained at a stable level.

The Group continued to strengthen its online ordering system during the Reporting Period. A new and upgraded online ordering system has been launched to improve the online ordering experience. Through consistent effort in optimizing key accounts management, the Group was able to secure businesses with its existing key clients and establish relationships with new clients, particularly in the areas of protein production and therapeutic antibody development. Meanwhile, the Group has also exerted considerable effort in simplifying the internal workflow of gene synthesis to shorten the turnaround time, which in turn enabled the Group to maintain its leadership position in gene synthesis.

2. Life Sciences Research Catalog Products

During the Reporting Period, revenue of life sciences research catalog products amounted to US\$2.7 million, representing an increase of 125.0% (the same period in 2015: US\$1.2 million). Gross profit margin varied from 62.6% for the same period last year to 64.7% this year.

The Group launched an innovative instrument, namely, eStain L1, for protein staining, in the PRC market in March 2016. As an improved version of eStain 2.0, eStain L1 provides better staining result and reduces the cost of each staining process. The Group has also developed customized magnetic beads with higher binding capacity for industry clients. In addition, the Group has launched new and stable cell lines that are able to express the most popular immune checkpoint in April 2016, including PD1, PD-L1, VISTA, Tim3 and Lag3.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Preclinical Drug Development Services

During the Reporting Period, revenue of preclinical drug development services was US\$4.8 million, representing an increase of 84.6% as compared with US\$2.6 million for the same period in 2015. Gross profit margin increased from 64.3% for the same period last year to 66.2% this year.

The Group's single-domain antibody drug discovery has been leading revenue generation, as this service platform offered high versatility and speediness of generating therapeutic candidates with multiple target seeking capability, molecular stability, and long-lasting therapeutic effect. It is considered by the pharmaceutical community as one of the most promising second generation modality of therapeutic antibodies with applications in the treatment of cancer and inflammatory diseases. Meanwhile there is a significant demand of *in vitro* and *in vivo* bioassays to validate the concept of combinatory therapies or bi-specific therapeutic antibodies, which accounted for the growth of revenue in *in vitro* and *in vivo* pharmacology.

4. Industrial Synthetic Biology Products

During the Reporting Period, revenue of industrial synthetic biology products increased by 180.0% to US\$1.4 million (the same period in 2015: US\$0.5 million). Gross profit margin varied from 5.7% for the same period last year to 14.4% this year.

The Group has adjusted the sales strategy under this segment with a focus on improving relationship with key customers. The range of flagship products has been expanded and upgraded. Meanwhile, we have also been actively developing new products in the field of special enzymes.

FINANCIAL REVIEW

	Six months ended June 30,		Change
	2016 US\$'000	2015 US\$'000	
Revenue	53,200	41,050	29.4%
Gross profit	35,897	26,858	33.5%
Net profit	13,191	5,746	131.6%
Profit attributable to the Shareholders	13,191	5,746	131.6%
Basic earnings per share (US\$)	0.0080	0.0049	63.3%
Diluted earnings per share (US\$)	0.0078	0.0047	66.0%

REVENUE

During the Reporting Period, the Group recorded revenue of US\$53.2 million, representing an increase of 29.4% from US\$41.1 million for the same period of 2015. This is mainly caused by the increase in the sales volume derived from our launch of a number of new services and products in the traditional fields, our enhanced marketing campaign to expand the customer base and the increase in demand in the global market. Our productivity and efficiency has also been improved through continuous research and development to ensure timely delivery of our services and products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

GROSS PROFIT

During the Reporting Period, the Group's gross profit increased by 33.5% to US\$35.9 million from US\$26.9 million for the same period of 2015. Gross profit margin varied from 65.4% for the same period last year to 67.5% this year.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses increased by 14.3% to US\$9.6 million during the Reporting Period from US\$8.4 million for the same period of 2015. This is mainly due to the increase in the compensation and benefits of the sales and marketing personnel.

GENERAL AND ADMINISTRATIVE EXPENSES

During the Reporting Period, the general and administrative expenses decreased by 4.5% to US\$8.5 million from US\$8.9 million for the same period of 2015, excluding the research and development expenses. This is mainly due to the decrease in the listing expenses, and was partly offset by the improved employees' welfare and compensation, the delivery of a series of training courses for the benefit of the employees, and the setting up of a new strategic business development department.

RESEARCH AND DEVELOPMENT EXPENSES

During the Reporting Period, the research and development expenses increased by 45.8% to US\$3.5 million from US\$2.4 million for the same period of 2015. This is mainly due to the involvement of several new challenging projects under the industrial synthetic biology products segment.

INCOME TAX EXPENSE

The income tax expense increased from US\$2.2 million for the same period of 2015 to US\$3.0 million for the Reporting Period, mainly because of the increase in the profit before tax.

NET PROFIT

During Reporting Period, net profit of the Group increased by 131.6% from approximately US\$5.7 million for the same period of 2015 to approximately US\$13.2 million.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

On June 30, 2016, the Company, through Nanjing Bestzyme Bioengineering Co., Ltd.* (南京百斯杰生物工程有限公司), its indirect wholly-owned subsidiary, completed the acquisition of 51% equity interest in Jinan Nornoon Biological Engineering Co., Ltd* (濟南諾能生物工程有限公司) (the "**Target Company**") by way of capital injection (the "**Investment**"). Please refer to the announcements dated April 6, 2016, May 18, 2016 and June 30, 2016 for details of the transactions and arrangements under the Investment. As a result of the completion of the Investment, the Target Company has become an indirect subsidiary of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CONTINGENT LIABILITIES AND GUARANTEES

As at June 30, 2016, the Group did not have any material contingent liabilities or guarantees.

CURRENT RATIO AND GEARING RATIO

As at June 30, 2016, the Group's current ratio (current assets to current liabilities) was approximately 4.4 (as at December 31, 2015: 4.3); and gearing ratio (total liabilities to total assets) was approximately 17.6% (as at December 31, 2015: 18.0%).

BANK LOANS

As at June 30, 2016, Jinan Nornoon Biological Engineering Co., Ltd. ("**Jinan Nornoon**"), a subsidiary acquired on June 30, 2016, borrowed short-term interest-bearing loans from Agricultural Bank of China and Postal Savings Bank of China for a total amount of RMB8,200,000 (equivalent to approximately US\$1,237,000), which were secured by charges on certain Jinan Nornoon's lands, property, plant and equipment. Jinan Nornoon used such loans to purchase raw material and replenish working capital. Please refer to note 17 to the financial statements in this Interim Report for details.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On June 20, 2016, the Company, through GenScript (Hong Kong) Limited (金斯康(香港)有限公司), its indirect wholly-owned subsidiary, entered into an investment agreement with Zhenjiang New Area Administrative Committee* (鎮江新區管理委員會) in relation to the setting up of the Group's gene synthesis services outsourcing base in Zhenjiang Economic and Technical Development Zone* (中國鎮江經濟技術開發區) by establishing a wholly-owned project company. Please refer to the announcements dated June 20, 2016 and June 21, 2016 for details of the investments.

In the current financial year, the Group is considering to allocate more resources in developing the peptide synthesis business, enhancing the production capacity of industrial enzymes, increasing investment in the scale of life sciences research and development activities, and strengthening the capability under the preclinical drug development services.

Save as disclosed above, there was no specific plan for material investments or capital assets as at June 30, 2016.

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. The Group did not hedge against any fluctuation in foreign currency during the Reporting Period. The management of the Group may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in the future.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. The management of the Group does not anticipate any significant impact to interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CREDIT RISK

The carrying amounts of cash and cash equivalents, trade and other receivables 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 making 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 colleges, universities, and research institutes in China, and occasionally with other customers in the United States and Europe. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of the year to ensure adequate impairment losses are made for irrecoverable amounts.

CHARGES ON GROUP ASSETS

As at June 30, 2016, other than the charges over Jinan Nornoon's lands, property, plant and equipment, the Group had no charges over its assets.

WORKING CAPITAL AND FINANCIAL RESOURCES

As at June 30, 2016, the cash and cash equivalents of the Group amounted to US\$122.1 million (as at December 31, 2015: US\$103.7 million).

CAPITAL EXPENDITURE

During the Reporting Period, the expenditure incurred in purchasing intangible assets, namely software, patents and license was US\$0.1 million, while the expenditure incurred in purchasing property, plant and equipment and construction in process amounted to US\$4.1 million.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2016, the Group has a total of approximately 1,322 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 experience, number of years with the Group, and other general factors.

During Reporting Period, the Group's total expenses on the remuneration of employees was approximately US\$18.2 million (excluding share-based payment of approximately US\$0.8 million), representing 34.2% of the revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On July 15, 2015, the Company adopted a 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**”) (together with the Pre-IPO Option Scheme, the “**Share Option Schemes**”). No further 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**”). On June 22, 2016, under the Post-IPO Share Option Scheme, 8,478,137 share options to subscribe for an aggregate of 8,478,137 ordinary shares of US\$0.001 each of the Company were granted to six employees with validity period of the options from June 22, 2016 to June 21, 2026 and exercise price of HK\$1.204. Except as disclosed in this Interim Report, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

The number of employees of the Group categorized by function as at June 30, 2016 is set forth as follows:

Function	Number of employees	Percentage of total
Production	712	53.9%
Sales and marketing	195	14.7%
Administration	198	15.0%
Research and development	141	10.7%
Management	76	5.7%
Total:	<u>1,322</u>	<u>100.0%</u>

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.

USE OF NET PROCEEDS FROM LISTING

Net proceeds from the listing of the Company (after deducting the underwriting fee and relevant expenses) amounted to approximately HK\$527.3 million (equivalent to US\$68.0 million). Such amounts are proposed to be used according to the allocation set out in the Prospectus of the Company dated December 17, 2015 (the “**Prospectus**”). Use of net proceeds from the date of listing to June 30, 2016 is set forth as follows:

Item	Utilized amount as at June 30, 2016 (US\$ million)
Expand life sciences research and application service and product portfolio	12.5
Expand production capacity	15.0
Enhance information technology capability	0.3
Acquire interests in or business of companies to complement existing operations	8.0
Total	<u>35.8</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS

We believe that we have achieved the pre-set goals in all major aspects within the first six months of 2016. We believe market demand remains strong and we are able to continue to outperform our competitors.

With abundant opportunities in the market, the Group continues to apply the following strategies in achieving its mission and sustainable growth:

- increase investment in research and development projects to expand the research and application service and product portfolio;
- enhance production capacity to capitalize on the strong demand for the life sciences research and application services and products;
- increase penetration into the overseas and PRC markets by expanding and strengthening the sales and marketing team; and
- pursue strategic acquisitions to complement organic growth.

The Board is fully confident about the future development of the Group and believes that we can create greater rewards to the Shareholders when the above strategies can be successfully implemented.

OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended June 30, 2016, 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.

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

As at June 30, 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out as follows:

Long positions in the ordinary Shares and underlying Shares of the Company as at June 30, 2016

Name of Director	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Shareholding percentage (%)
Zhang Fangliang	Interest in controlled corporation ^(Note 1) , parties acting in concert ^(Note 2) , and interest conferred from proxy ^(Note 3)	1,092,010,145	65.42
Wang Luquan	Interest in controlled corporation ^(Note 4) , parties acting in concert ^(Note 2) , and beneficial owner ^(Note 5)	1,092,010,145	65.42
Wang Ye	Interest in controlled corporation ^(Note 6) , parties acting in concert ^(Note 2) , and beneficial owner ^(Note 7)	1,092,010,145	65.42
Meng Jiange	Beneficial owner ^(Note 8)	5,829,960	0.35

OTHER INFORMATION (CONTINUED)

Notes:

- (1) As at June 30, 2016, Zhang Fangliang held approximately 40.59% of the issued share capital of Genscript Corporation (“**GS Corp**”) and was deemed, or taken to be interested in, all the shares of the Company (the “**Shares**”) held by GS Corp for the purpose of the SFO.
- (2) On August 14, 2008, Zhang Fangliang, Wang Luquan, and Wang Ye entered into the GS Corp Shareholder Voting Agreement whereby Zhang Fangliang, Wang Luquan, and Wang Ye agreed to vote unanimously in the shareholder meetings of GS Corp and, contemporaneously, proxies were conferred by Wang Luquan and Wang Ye to Zhang Fangliang authorizing Zhang Fangliang to vote and exercise all voting and related rights with respect to the shares that each Wang Luquan and Wang Ye beneficially owned in GS Corp, which held 908,502,024 Shares. On May 29, 2015, Wu Yongmei signed a proxy agreement whereby she conferred all her voting and related rights in relation to all the shares that she owned in GS Corp, i.e. 108,625,000 shares of GS Corp to Zhang Fangliang.
- (3) For details of the Pre-IPO Share Option Scheme, please see the section headed “Statutory and General Information — Pre-IPO Share Option Scheme” of the Prospectus.
- (4) As at June 30, 2016, Wang Luquan held approximately 23.24% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in, all the Shares held by GS Corp.
- (5) Wang Luquan held 3,886,640 underlying Shares under the options conditionally granted to him under the Pre-IPO Share Option Scheme.
- (6) As at June 30, 2016, Wang Ye held approximately 11.76% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Ye was deemed, or taken to be interested in, all the Shares held by GS Corp.
- (7) Wang Ye held 136,178,136 underlying Shares under the options conditionally granted to her under the Pre-IPO Share Option Scheme.
- (8) Meng Jiange held 5,829,960 underlying Shares under the options conditionally granted to him under the Pre-IPO Share Option Scheme.

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

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

As at June 30, 2016, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

OTHER INFORMATION (CONTINUED)

Long positions in the ordinary Shares of the Company as at June 30, 2016

Name	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Shareholding percentage (%)
GS Corp ^(Note 1)	Beneficial owner	908,502,024	54.42
KPCB China Fund, L.P. ^(Note 2)	Beneficial owner	216,921,134	12.99
KPCB China Associates, Ltd. ^(Note 2)	Interest in controlled corporation	233,198,381	13.97

Notes:

- (1) As at June 30, 2016, GS Corp is a company incorporated in the State of Delaware in the United States and owned as to approximately 40.59%, approximately 23.24%, approximately 23.24%, approximately 11.76%, and approximately 1.18% by Zhang Fangliang, Wang Luquan, Wu Yongmei, Wang Ye, and Mu Yingjun, respectively.
- (2) KPCB China Fund, L.P. ("**KPCB China Fund**") and KPCB China Founders Fund, L.P. ("**KPCB China Founders Fund**") are exempted limited partnerships established in the Cayman Islands, whose general partner is KPCB China Associates, Ltd. ("**KPCB China**"), a company incorporated in the Cayman Islands. KPCB China has sole voting and investment power over the shares in KPCB China Fund and KPCB China Founders Fund. As at June 30, 2016, KPCB China was deemed to be interested in all 216,921,134 Shares held by KPCB China Fund and 16,277,247 Shares held by KPCB China Founders Fund under the SFO.

Save as disclosed above, as at June 30, 2016, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

As disclosed above, the Company has adopted the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. The purpose of the Share Option Schemes is to enable us to grant options to selected participants as incentives or rewards for their contributions. The Directors consider the Share Option Schemes, with its broad basis of participation, will enable the Company to reward its employees, Directors and other selected participants for their contributions.

A. Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Scheme by resolutions of the Board on July 15, 2015. The Pre-IPO Share Option Scheme is not subject to the provision of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme does not involve the grant of options by the Company to subscribe for Shares once the Company is listed on the Stock Exchange. No further options shall be granted under the Pre-IPO Share Option Scheme after the Listing.

OTHER INFORMATION (CONTINUED)

Set out below are details of the outstanding options under the Pre-IPO Share Option Scheme:

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Outstanding as at January 1, 2016	Granted during the Reporting Period	Number of share options			Outstanding as at June 30, 2016						
							Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised ⁽¹⁾ during the Reporting Period							
Directors of the Company or its subsidiaries Wang Ye	January 15, 2008	December 31, 2010 – January 15, 2018	December 31, 2010 – January 15, 2018	0.01	1,603,239	–	–	–	–	1,603,239						
		January 15, 2011 – January 15, 2018														
		December 31, 2011 – January 15, 2018														
		December 31, 2012 – January 15, 2018														
		December 31, 2013 – January 15, 2018														
	December 31, 2009	December 31, 2010 – December 31, 2019	December 31, 2010 – December 31, 2019	December 31, 2010 – December 31, 2019	0.026	5,344,130	–	–	–	–	5,344,130					
		December 31, 2011 – December 31, 2019														
		December 31, 2012 – December 31, 2019														
		December 31, 2013 – December 31, 2019														
	July 15, 2010	December 31, 2014 – December 31, 2019														
		July 15, 2011 – July 31, 2019	July 15, 2011 – July 31, 2019	July 15, 2011 – July 31, 2019	0.103	27,206,480	–	–	–	–	27,206,480					
July 15, 2012 – July 31, 2019																
July 15, 2013 – July 31, 2019																
July 15, 2014 – July 31, 2019																

OTHER INFORMATION (CONTINUED)

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Outstanding as at January 1, 2016	Number of share options				Outstanding as at June 30, 2016
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised ⁽¹⁾ during the Reporting Period	
	May 22, 2012	December 31, 2012 – July 31, 2020 December 31, 2013 – July 31, 2020 December 31, 2014 – July 31, 2020	December 31, 2012 – July 31, 2020	0.103	34,008,093	-	-	-	-	34,008,093
	March 20, 2014	December 31, 2014 – July 31, 2025 December 31, 2015 – July 31, 2025 December 31, 2016 – July 31, 2025	December 31, 2014 – July 31, 2025	0.062	68,016,194	-	-	-	-	68,016,194
Meng Jiange	February 20, 2010	April 1, 2011 – December 31, 2020 April 1, 2012 – December 31, 2020 April 1, 2013 – December 31, 2020 April 1, 2014 – December 31, 2020 April 1, 2015 – December 31, 2020	April 1, 2011 – December 31, 2020	0.077	1,943,320	-	-	-	-	1,943,320
	May 1, 2013	May 1, 2016 – December 31, 2020 May 1, 2017 – December 31, 2020 May 1, 2018 – December 31, 2020 May 1, 2019 – December 31, 2020 May 1, 2020 – December 31, 2020	May 1, 2016 – December 31, 2020	0.103	1,943,320	-	-	-	-	1,943,320

OTHER INFORMATION (CONTINUED)

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Outstanding as at January 1, 2016	Granted during the Reporting Period	Number of share options			Outstanding as at June 30, 2016
							Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised ⁽¹⁾ during the Reporting Period	
	January 30, 2015	January 30, 2016 – July 31, 2025	January 30, 2016 – July 31, 2025	0.077	1,943,320	-	-	-	-	1,943,320
		January 30, 2017 – July 31, 2025								
		January 30, 2018 – July 31, 2025								
		January 30, 2019 – July 31, 2025								
		January 30, 2020 – July 31, 2025								
Wang Luquan	February 10, 2012	February 10, 2013 – July 31, 2019	February 10, 2013 – July 31, 2019	0.103	3,886,640	-	-	-	-	3,886,640
		February 10, 2014 – July 31, 2019								
Senior management of the Group										
Zhu Li	January 27, 2010	March 1, 2011 – July 31, 2019	March 1, 2011 – July 31, 2019	0.077	1,554,656	-	-	-	-	1,554,656
		March 1, 2012 – July 31, 2019								
		March 1, 2013 – July 31, 2019								
		March 1, 2014 – July 31, 2019								
		March 1, 2015 – July 31, 2019								
	March 28, 2014	December 31, 2014 – December 31, 2020	December 31, 2014 – December 31, 2020	0.077	1,943,320	-	-	-	-	1,943,320
		December 31, 2015 – December 31, 2020								
		December 31, 2016 – December 31, 2020								
		December 31, 2017 – December 31, 2020								
		December 31, 2018 – December 31, 2020								

OTHER INFORMATION (CONTINUED)

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Outstanding as at January 1, 2016	Number of share options				Outstanding as at June 30, 2016
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised ⁽¹⁾ during the Reporting Period	
Chou Chuan-Chu	October 1, 2012	October 1, 2016 – July 31, 2025	October 1, 2016 – July 31, 2025	0.103	1,943,320	–	–	–	–	1,943,320
		October 1, 2017 – July 31, 2025								
		October 1, 2018 – July 31, 2025								
		October 1, 2019 – July 31, 2025								
		October 1, 2020 – July 31, 2025								
March 28, 2015	December 31, 2015 – December 31, 2020	December 31, 2015 – December 31, 2020	December 31, 2015 – December 31, 2020	0.077	971,660	–	–	–	–	971,660
		December 31, 2016 – December 31, 2020								
		December 31, 2017 – December 31, 2020								
		December 31, 2018 – December 31, 2020								

OTHER INFORMATION (CONTINUED)

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Outstanding as at January 1, 2016	Number of share options				
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised ⁽¹⁾ during the Reporting Period	Outstanding as at June 30, 2016
Chen Zhiqiang	August 10, 2009	August 10, 2009 – December 31, 2019	August 10, 2009 – December 31, 2019	0.003	10,688,259	-	-	-	2,046,000	8,642,259
	March 28, 2014	December 31, 2014 – December 31, 2020	December 31, 2014 – December 31, 2020	0.077	1,943,320	-	-	-	-	1,943,320
		December 31, 2015 – December 31, 2020								
		December 31, 2016 – December 31, 2020								
Zhang Chifa	July 3, 2009	July 3, 2009 – July 31, 2019	July 3, 2009 – July 31, 2019	0.003	213,765	-	-	-	-	213,765
	July 3, 2009	July 3, 2009 – July 31, 2019	July 3, 2009 – July 31, 2019	0.005	213,765	-	-	-	-	213,765
	July 9, 2012	July 31, 2015 – July 31, 2019	July 31, 2015 – July 31, 2019	0.103	54,413	-	-	-	-	54,413
	March 28, 2014	December 31, 2014 – December 31, 2020	December 31, 2014 – December 31, 2020	0.077	1,943,320	-	-	-	-	1,943,320
		December 31, 2015 – December 31, 2020								
		December 31, 2016 – December 31, 2020								
		December 31, 2017 – December 31, 2020								
		December 31, 2018 – December 31, 2020								
Other employees Employees	October 17, 2005 – March 28, 2015	June 12, 2007 – December 31, 2025	June 12, 2007 – December 31, 2025	0.003 – 0.103	134,896,406	-	-	1,309,798	7,226,351	126,360,257
Total					302,260,940	-	-	1,309,798	9,272,351	291,678,791

Notes:

- (1) The weighted average closing price immediately before the dates on which the options were exercised was HK\$1.22.
- (2) For further details of the Pre-IPO Share Option Scheme, please refer to Appendix V “Statutory and General Information” of the Prospectus and note 19 to the financial statements in this Interim Report.

OTHER INFORMATION (CONTINUED)

B. Post-IPO Share Option Scheme

The Company approved and adopted the Post-IPO Share Option Scheme by resolution of its sole shareholder on December 7, 2015. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

Set out below are details of the outstanding options under the Post-IPO Share Option Scheme:

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (HK\$)	Closing price per Share immediately before the date of grant (HK\$)	Outstanding as at January 1, 2016	Number of share options					
							Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at June 30, 2016	
Other employees	June 22, 2016	June 22, 2016 – June 21, 2026	June 22, 2016 – June 21, 2026	1.204	1.21	-	8,478,137	-	-	-	-	8,478,137
Total						-	8,478,137	-	-	-	-	8,478,137

Note:

- (1) For further details of the Post-IPO Share Option Scheme, please refer to Appendix V “Statutory and General Information” of the Prospectus and note 19 to the financial statements in this Interim Report.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Interim Report, at no time during the Reporting Period and up to the date of this Interim Report was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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 Interim Report.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2016.

OTHER INFORMATION (CONTINUED)

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.

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 "**Corporate Governance 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 Corporate Governance Code throughout the six months ended June 30, 2016, except for the deviation of code provision A.2.1.

As required by code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The Company deviates from this provision because Zhang Fangliang has been assuming the roles of both the chairman of the Board and the chief executive officer of the Company since the date of listing. The Board believes that resting the roles of both the chairman and the chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although these two roles are performed by the same individual, certain responsibilities are shared with the executive Directors to balance power and authority. In addition, all major decisions are made in consultation with members of the Board, as well as with the senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board is of the view that the balance of power and safeguards in place are adequate. The Board would review and monitor the situation on a regular basis and would ensure that the present structure would not impair the balance of power in the Group.

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), Ms. Zhang Min 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, 2016.

SANCTIONS RISK CONTROL COMMITTEE

During the Reporting Period and the period up to the date of this Interim Report, the sanctions risk control committee of the Company (the “**Sanctions Risk Control Committee**”) held three meetings on March 22, 2016, July 12, 2016 and August 25, 2016 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, guidances, and internal control measures.

CHANGES IN DIRECTORS’ INFORMATION

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

The remuneration package of Zhang Fangliang, the chairman and the executive Director of the Company, has been revised by the Remuneration Committee in consideration of his responsibility and market rates. The amount of the annual base salary of Zhang Fangliang has been increased to US\$296,851/year and the annual bonus base has been increased to US\$104,188/year with effect from July 1, 2016.

The remuneration package of the executive Directors and senior management of the Company has been reviewed by the Remuneration Committee. A performance-based discretionary incentive bonus plan has been adopted with effect from August 2016 (the “**Incentive Bonus Plan**”). Under the Incentive Bonus Plan, incentive bonuses may be payable to the executive Directors and senior management of the Company with outstanding performance. The amount of the incentive bonus that may be payable to each of the executive Directors and senior management of the Company is determined by reference to the Group’s percentage increase in net profit when compared to the previous financial year and each of their individual performance. The Incentive Bonus Plan was adopted with the aim to motivate the contribution of the executive Directors and the senior management of the Company.

With effect from December 2015 and August 2016, Zhang Min, the independent non-executive Director of the Company, ceased to be a director of Synutra International Inc. (Nasdaq: SYUT), which is listed on Nasdaq in the United States, and China Quanjude (Group) Co., Ltd.* (中國全聚德(集團)股份有限公司, SZSE: 002186), which is listed on the Shenzhen Stock Exchange, respectively.

INDEPENDENT REVIEW REPORT



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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the board of directors of Genscript Biotech Corporation

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 58, which comprises the condensed consolidated statement of financial position of Genscript Biotech Corporation (the “Company”) and its subsidiaries as at 30 June 2016 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong
28 August 2016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	Notes	2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
REVENUE	4	53,200	41,050
Cost of sales		<u>(17,303)</u>	<u>(14,192)</u>
Gross profit		35,897	26,858
Other income and gains	4	1,964	737
Selling and distribution expenses		(9,560)	(8,357)
Administrative expenses		(12,057)	(11,325)
Other expenses		<u>(31)</u>	<u>(17)</u>
PROFIT BEFORE TAX	5	16,213	7,896
Income tax expense	6	<u>(3,022)</u>	<u>(2,150)</u>
PROFIT FOR THE PERIOD		<u>13,191</u>	<u>5,746</u>
Attributable to:			
Owners of the parent		<u>13,191</u>	<u>5,746</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u>US0.80 cents</u>	<u>US0.49 cents</u>
Diluted		<u>US0.78 cents</u>	<u>US0.47 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
PROFIT FOR THE PERIOD	<u>13,191</u>	<u>5,746</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	-	4
Exchange differences on translation of foreign operations	<u>(2,620)</u>	<u>106</u>
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	<u>(2,620)</u>	<u>110</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(2,620)</u>	<u>110</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>10,571</u>	<u>5,856</u>
Attributable to:		
Owners of the parent	<u>10,571</u>	<u>5,856</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	44,084	37,719
Advance payments for property, plant and equipment		420	122
Prepaid land lease payments		8,253	7,581
Goodwill	10	1,448	–
Other intangible assets		1,997	901
Deferred tax assets		4,159	2,737
Total non-current assets		60,361	49,060
CURRENT ASSETS			
Inventories	11	4,268	2,025
Trade and notes receivables	12	21,547	16,914
Prepayments, deposits and other receivables	13	5,911	10,153
Pledged short-term deposits	14	202	202
Cash and cash equivalents	14	122,067	103,720
Total current assets		153,995	133,014
CURRENT LIABILITIES			
Trade payables	15	3,982	2,414
Other payables and accruals	16	24,888	24,661
Interest-bearing bank borrowings	17	1,237	–
Tax payable		4,946	3,786
Government grants		46	33
Total current liabilities		35,099	30,894
NET CURRENT ASSETS		118,896	102,120
TOTAL ASSETS LESS CURRENT LIABILITIES		179,257	151,180

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		167	–
Government grants		2,481	1,932
Total non-current liabilities		2,648	1,932
Net assets		176,609	149,248
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	1,669	1,600
Reserves		168,652	147,648
		170,321	149,248
Non-controlling interests		6,288	–
Total equity		176,609	149,248

Zhang Fangliang
Director

Wang Ye
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent							Total US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000 (note 18)	Share premium* US\$'000	Merger reserve* US\$'000	Share option reserves* US\$'000 (note 19)	Statutory surplus earnings* US\$'000	Retained earnings* US\$'000	Exchange fluctuation reserve* US\$'000			
At 1 January 2016	1,600	106,655	(20,883)	8,361	6,417	48,689	(1,591)	149,248	-	149,248
Profit for the period	-	-	-	-	-	13,191	-	13,191	-	13,191
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,620)	(2,620)	-	(2,620)
Total comprehensive income for the period	-	-	-	-	-	13,191	(2,620)	10,571	-	10,571
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	6,288	6,288
Issuance of shares under the over-allotment option	60	10,024	-	-	-	-	-	10,084	-	10,084
Share issuance expenses	-	(517)	-	-	-	-	-	(517)	-	(517)
Equity-settled share option arrangements	-	-	-	784	-	-	-	784	-	784
Exercise of share options	9	317	-	(175)	-	-	-	151	-	151
At 30 June 2016 (unaudited)	<u>1,669</u>	<u>116,479</u>	<u>(20,883)</u>	<u>8,970</u>	<u>6,417</u>	<u>61,880</u>	<u>(4,211)</u>	<u>170,321</u>	<u>6,288</u>	<u>176,609</u>

* These reserve accounts comprise the consolidated reserves of US\$168,652,000 (For the year ended 31 December 2015: US\$147,648,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2015

	Attributable to owners of the parent									
	Share capital US\$'000	Merger reserve* US\$'000	Share option reserves* US\$'000 (note 19)	Statutory surplus reserves* US\$'000	Retained earnings* US\$'000	Available-for-sale investment revaluation reserve* US\$'000	Exchange fluctuation reserve* US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
At 1 January 2015	50	15,002	5,013	3,998	33,604	(4)	4,051	61,714	33	61,747
Profit for the period	-	-	-	-	5,746	-	-	5,746	-	5,746
Other comprehensive income for the period:										
Change in fair value of available-for-sale investments, net of tax	-	-	-	-	-	4	-	4	-	4
Exchange differences on translation of foreign operations	-	-	-	-	-	-	106	106	-	106
Total comprehensive income for the period:	-	-	-	-	5,746	4	106	5,856	-	5,856
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	(33)	(33)
Equity-settled share option arrangements	-	-	1,425	-	-	-	-	1,425	-	1,425
At 30 June 2015 (audited)	<u>50</u>	<u>15,002</u>	<u>6,438</u>	<u>3,998</u>	<u>39,350</u>	<u>-</u>	<u>4,157</u>	<u>68,995</u>	<u>-</u>	<u>68,995</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	Notes	2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		16,213	7,896
Adjustments for:			
Provision provided for trade receivables	5	92	74
Write-down of inventories to net realisable value	11	50	–
Depreciation of property, plant and equipment		2,383	2,384
Amortization of other intangible assets		112	85
Amortization of land use rights		82	88
Loss on disposal of items of property, plant and equipment	9	9	10
Interest income	4	(179)	(26)
Investment income	4	–	(187)
Equity-settled share option expense		784	1,425
		19,546	11,749
Increase in trade and notes receivables		(3,478)	(1,857)
Decrease/(increase) in prepayments, deposits and other receivables		3,434	(457)
Increase in inventories		(799)	(359)
Decrease in government grants		(20)	(366)
Increase/(decrease) in trade payables		436	(676)
Receipt of pledged short-term deposits	14	–	143
(Decrease)/increase in other payables and accruals		(1,371)	2,207
Cash generated from operations		17,748	10,384
Interest received		179	26
Income tax paid		(3,163)	(1,136)
Net cash flows from operating activities		14,764	9,274

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June

	Notes	2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of available-for-sale investments		-	(4,087)
Proceeds from disposal of available-for-sale investments		-	6,804
Purchases of property, plant and equipment		(4,140)	(3,747)
Purchases of other intangible assets		(104)	(91)
Receipt of government grants		622	-
Acquisition of a subsidiary by capital injection		71	-
		<u>-</u>	<u>-</u>
Net cash flows used in investing activities		<u>(3,551)</u>	<u>(1,121)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		10,235	-
Share issue expenses		(1,543)	-
Repayment to a related party		-	(8,178)
		<u>-</u>	<u>(8,178)</u>
Net cash flows from/(used in) financing activities		<u>8,692</u>	<u>(8,178)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		19,905	(25)
Net foreign exchange difference		(1,558)	72
Cash and cash equivalents at beginning of period	14	<u>103,720</u>	<u>25,637</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	<u>122,067</u>	<u>25,684</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		71,130	25,684
Non-pledged time deposits with original maturity of less than three months when acquired		50,937	-
		<u>-</u>	<u>-</u>
Cash and cash equivalents as stated in the statement of financial position	14	<u>122,067</u>	<u>25,684</u>
Cash and cash equivalents as stated in the statement of cash flows		<u>122,067</u>	<u>25,684</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

1. CORPORATE INFORMATION

Genscript Biotech Corporation (the “Company”) incorporated on 21 May 2015 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grant Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company’s subsidiaries are principally engaged in the manufacturing and sale of life sciences research products and services. The products and services include mainly life sciences research services, preclinical drug development services, life sciences research catalog products and industrial synthetic biology products. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 December 2015.

In the opinion of the Directors, the ultimate holding company of the Company is Genscript USA Corporation (“GS Corp”), which is incorporated in the United States of America.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Genscript (Hong Kong) Limited (“GS HK”)	Hong Kong 8 January 2009	HK\$155,000	–	100	Sale of life sciences research products and services
Nanjing Jinsirui Biotechnology Co., Ltd. (“Nanjing Jinsirui”)	China 12 March 2009	US\$53,020,000	–	100	Manufacturing and sale of life sciences research products and services
Genscript USA Incorporated (“GS USA”)	United States of America 26 March 2009	US\$1	100	–	Manufacturing and sale of life sciences research products and services
Jinsikang Technology (Nanjing) Co., Ltd. (“Nanjing Jinsikang”)	China 30 April 2009	RMB132,550,600	–	100	Manufacturing and sale of life sciences research products and services
Genscript Japan Inc.	Japan 7 July 2011	JPY8,300,000	–	100	Sale of life sciences research products and services
Nanjing Bestzyme Bioengineering Co., Ltd.	China 6 June 2013	US\$29,000,000	–	100	Manufacturing and sale of life sciences research products and services
Nanjing Legend Biotechnology Co., Ltd.	China 17 November 2014	US\$500,000	–	100	Manufacturing and sale of life sciences research products and services

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

1. CORPORATE INFORMATION (CONTINUED)

Company	Place and date of incorporation/ registration/ and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Shanghai Jingrui Biotechnology Co., Ltd.	China 6 March 2015	RMB1,000,000	–	100	Manufacturing and sale of life sciences research products and services
Hubei Bestzyme Biotechnology Co., Ltd.	China 29 January 2015	RMB10,000,000	–	100	Manufacturing and sale of life sciences research products and services
Jinan Nornoon Biological Engineering Co., Ltd. ("Jinan Nornoon")	China 19 August 2009	RMB12,077,000	–	51	Manufacturing and sale of life sciences research products and services

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the reporting period or formed a substantial portion of the net assets of the Company and its subsidiaries (the "Group"). To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with HKAS 34 *Interim Financial Reporting* and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as at 1 January 2016.

Amendments to HKAS 1
Amendments to HKAS 16
and HKAS 38
*Annual Improvements
2012–2014 Cycle*

*Disclosure Initiative
Clarification of Acceptable Methods of Depreciation and
Amortization*
Amendments to a number of HKFRSs

The adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

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

- (a) Life sciences research services, comprising gene and peptide synthesis, DNA/primer synthesis, DNA sequencing, custom antibody production, protein expression, and stable cell line production;
- (b) Preclinical drug development services, comprising integrated services in three areas, namely protein and antibody engineering, in vitro drug studies, and in vivo drug studies;
- (c) Life sciences research catalog products, comprising antibodies, recombinant proteins, products for protein isolation and analysis, molecular biology reagents, peptide, biochemicals, and stable cell lines; and
- (d) Industrial synthetic biology products, comprising industrial enzyme development and production.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of segment revenue less segment cost of sales.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2016 (Unaudited)

	Life sciences research services US\$'000	Preclinical drug development services US\$'000	Life sciences research catalog products US\$'000	Industrial synthetic biology products US\$'000	Total US\$'000
Segment revenue					
External customers	44,356	4,765	2,676	1,403	53,200
Segment results	30,811	3,152	1,732	202	35,897
Other income and gains					1,964
Selling and distribution expenses					(9,560)
Administrative expenses					(12,057)
Other expenses					(31)
Profit before tax					16,213

Six months ended 30 June 2015 (audited)

	Life sciences research services US\$'000	Preclinical drug development services US\$'000	Life sciences research catalog products US\$'000	Industrial synthetic biology products US\$'000	Total US\$'000
Segment revenue					
External customers	36,775	2,641	1,181	453	41,050
Segment results	24,395	1,698	739	26	26,858
Other income and gains					737
Selling and distribution expenses					(8,357)
Administrative expenses					(11,325)
Other expenses					(17)
Profit before tax					7,896

3. OPERATING SEGMENT INFORMATION (CONTINUED)Geographic information**(a) Revenue from external customers**

	For the six months ended 30 June	
	2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
United States of America	26,579	20,348
Europe	9,048	8,426
China	8,727	5,993
Asia Pacific (excluding China and Japan)	4,018	2,746
Japan	2,266	1,842
Others (including other North American countries, South America and Africa)	2,562	1,695
Total	53,200	41,050

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
	China	54,316
Other countries	438	432
Total	54,754	46,323

The non-current asset information above is based on the locations of assets and excludes goodwill and deferred tax assets.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
Revenue		
Rendering of services	49,120	39,416
Sale of goods	4,080	1,634
	53,200	41,050
Other income and gains		
Foreign currency exchange gain	1,755	143
Bank interest income	179	26
Government grants	29	374
Investment income	–	187
Others	1	7
	1,964	737

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
Cost of inventories sold	913	362
Cost of services provided	6,449	5,551
Depreciation of items of property plant and equipment	2,383	2,384
Amortization of other intangible assets*	112	85
Amortization of prepaid land lease payments	82	88
Provision provided for impairment of trade receivables	92	74
Minimum lease payments under operating leases:		
– Land and buildings	488	361
Auditors' remuneration	88	168
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	15,790	14,838
Pension scheme contributions (defined contribution schemes)	1,851	1,454
Equity-settled share option expense	546	873
	18,187	17,165
Research and development costs	3,548	2,439
Listing expenses	–	1,661
Loss on disposal of items of property, plant and equipment	9	10
Write-down of inventories to net realizable value	50	–

* The amortization of other intangible assets for the reporting period is included in "Administrative expenses" on the face of the interim condensed consolidated statement of profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

6. INCOME TAX

Pursuant to the rules and regulations of Cayman and BVI, the Group is not subject to any income tax in Cayman and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the reporting period.

The subsidiary of the Group operating in Japan was subject to income tax at a rate ranging from 15% to 25.5% depending on its earnings during the reporting period.

The subsidiary of the Group operating in the United States of America was subject to federal tax at a rate of 34% and state tax at a rate of 9% during the reporting period.

The provision for China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in China which are granted tax concession and are taxed at preferential tax rates.

Nanjing Jinsirui is qualified as a High and New Technology Enterprise and Advanced Technology Service Enterprise and Nanjing Jinsikang is qualified as an Advanced Technology Service Enterprise; both of them were subject to income tax at a preferential tax rate of 15% for the reporting period.

Jinan Nornoon is qualified as a High and New Technology Enterprise and was subject to income tax at a preferential tax rate of 15% for the reporting period.

Current – China
Current – Elsewhere
Deferred

Total tax charge for the period

For the six months ended 30 June	
2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
3,006	1,768
1,371	969
(1,355)	(587)
3,022	2,150

7. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2016.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the reporting period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,653,031,268 (for the six months ended 30 June 2015: 1,183,326,316) in issue during the reporting period, as adjusted to reflect the rights issue during the reporting period.

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

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

	For the six months ended 30 June	
	2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	13,191	5,746
	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,653,031,268	1,183,326,316
Effect of dilution – weighted average number of ordinary shares:		
Share options	40,723,238	33,078,695
	1,693,754,506	1,216,405,011

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost of US\$3,031,000 (for the six months ended 30 June 2015: US\$3,250,000), excluding property, plant and equipment acquired through a business combination (see Note 20).

Assets with a net book value of US\$9,000 were disposed of by the Group during the six months ended 30 June 2016 (for the six months ended 30 June 2015: US\$10,000), resulting in a net loss on disposal of US\$9,000 (for the six months ended 30 June 2015: US\$10,000).

See Note 22 for capital commitments.

10. GOODWILL

	30 June 2016 US\$'000 (Unaudited)
Cost at 1 January	–
Acquisition of a subsidiary by capital injection	1,448
Cost and net carrying amount	1,448

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

- Industrial synthetic biology products

11. INVENTORIES

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Raw materials	1,934	1,228
Work in progress	1,483	395
Finished goods	1,248	749
	4,665	2,372
Less: Provision for inventories	(397)	(347)
	4,268	2,025

Inventory provision of US\$50,000 was recognized for the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil). Inventory provision has been included in “cost of sales” in the condensed consolidated statement of profit or loss.

12. TRADE AND NOTES RECEIVABLES

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Trade receivables	20,939	17,894
Notes receivable	922	129
	21,861	18,023
Less: Provision for impairment of trade receivables	(314)	(1,109)
	21,547	16,914

The Group's trading terms with its customers are mainly on credit. The credit period is 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Movements in the provision for impairment of trade receivables were as follows:

	Total US\$'000
At 1 January 2016	1,109
Impairment losses recognized	92
Amount written off as uncollectible	(887)
At 30 June 2016	314
At 1 January 2015	860
Impairment losses recognized	249
At 31 December 2015	1,109

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

12. TRADE AND NOTES RECEIVABLES (CONTINUED)

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

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Within 3 months	17,809	14,771
3 months to 6 months	1,473	1,510
6 months to 12 months	1,355	634
Over one year	302	979
	20,939	17,894

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Neither past due nor impaired	11,663	9,847
Less than 3 months past due	7,061	5,911
Over 3 months but within one year past due	1,901	1,027
	20,625	16,785

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The notes receivable were due within six months. No notes receivable were discounted or endorsed as at 30 June 2016 and 31 December 2015.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Other receivables	3,705	8,927
Prepayments	1,257	798
VAT recoverable (i)	709	277
Prepaid expense	211	207
Advance to employees	117	87
	5,999	10,296
Less: Impairment of other receivables	(88)	(143)
	5,911	10,153

- (i) The Group's domestic sales of goods and rendering of services are subject to China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is mainly the net difference between output and deductible input VAT.

Movements in the provision for impairment of other receivables were as follows:

	Individually impaired US\$'000
At 1 January 2016	143
Amount written off as uncollectible	(55)
At 30 June 2016	88
At 1 January 2015	307
Impairment losses reversed	(164)
At 31 December 2015	143

The ageing analysis of the prepayments, deposits and other receivables that are not considered to be impaired is as follows:

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Neither past due nor impaired	5,911	10,153

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Cash and bank balances	122,067	103,720
Pledged short-term deposits	202	202
	122,269	103,922
Less: Pledged short-term deposits for letters of credit	(202)	(202)
Cash and cash equivalents	122,067	103,720
Denominated in HKD	52,205	65,214
Denominated in USD	38,388	21,719
Denominated in RMB	25,916	12,295
Denominated in EUR	2,399	1,842
Denominated in GBP	2,195	2,029
Denominated in JPY	964	621
Cash and cash equivalents	122,067	103,720

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US\$25,916,000 (31 December 2015: US\$12,295,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are pledged for letters of credit. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

15. TRADE PAYABLES

As at 30 June 2016 and 31 December 2015, the ageing analysis of the trade payables based on the invoice date, is as follows:

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Within 3 months	3,291	2,340
3 months to 6 months	246	21
6 months to 12 months	316	20
Over 1 year	129	33
	3,982	2,414

Trade payables are non-interest-bearing and are normally settled on 60–90 day terms.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Accrued payroll	8,742	7,603
Advances from customers	6,572	6,696
Other payables	4,729	4,923
Accrued expenses	2,211	2,477
Payables for purchases of machinery and construction of buildings	1,339	2,150
Taxes payable other than corporate income tax	1,295	812
	24,888	24,661

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

17. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2016 US\$'000
Current			
Bank loans – secured	5.98–6.55	Within 1 year	<u><u>1,237</u></u>
Analysed into:			
Bank loans repayable:			
Within one year or on demand			<u><u>1,237</u></u>

Jinan Nornoon, the subsidiary acquired on 30 June 2016, bore all the interest-bearing bank borrowings at the period end. The bank loans are secured by:

- (i) Jinan Nornoon's lands which had an aggregate fair value of US\$641,000 as at 30 June 2016 and;
- (ii) Jinan Nornoon's property, plant and equipment which had an aggregate fair value of US\$522,000 as at 30 June 2016.

18. SHARE CAPITAL AND SHARE PREMIUM

Shares

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Authorized:		
Ordinary shares (of US\$0.001 each)	<u><u>5,000</u></u>	<u><u>5,000</u></u>
Issued and fully paid:		
Ordinary shares (of US\$0.001 each)	<u><u>1,669</u></u>	<u><u>1,600</u></u>

18. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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	Share premium US\$'000	Total US\$'000
At 1 January 2016	1,600,000,000	1,600	106,655	108,255
Issuance of shares under the over-allotment option (a)	60,000,000	60	10,024	10,084
Share options exercised (note 19)	9,272,351	9	317	326
Share issuance expenses	-	-	(517)	(517)
At 30 June 2016 (unaudited)	<u>1,669,272,351</u>	<u>1,669</u>	<u>116,479</u>	<u>118,148</u>

- a. On 26 January 2016, 60,000,000 ordinary shares (the "Over-allotment Shares") were issued by fully exercise of the over-allotment option at a price of HK\$1.31 per share for a total consideration, before listing expenses, of approximately HK\$78,600,000 (equivalent to approximately US\$10,084,000).

19. SHARE OPTION SCHEME

On 22 June 2016, under the Company's Post-IPO share option scheme adopted on 7 December 2015, 8,478,137 share options to subscribe for an aggregate of 8,478,137 ordinary shares of US\$0.001 each of the Company were granted to 6 employees with vesting date from 22 June 2016 to 22 June 2023 and exercise price of HK\$1.204. The expiration date of the option granted is 10 years after the grant date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding during the period:

	For the six months ended 30 June			
	2016	2015	2016	2015
	Weighted average exercise price US\$ per share	Number of options '000	Weighted average exercise price US\$ per share	Number of options '000 per share
At 1 January	0.0718	302,261	0.1362	127,463
Granted during the period	0.1552	8,478	0.1549	28,600
Forfeited during the period	0.0806	(1,310)	0.1500	(525)
Exercised during the period	0.0163	(9,272)	-	-
At 30 June	<u>0.0758</u>	<u>300,157</u>	0.1396	<u>155,538</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

19. SHARE OPTION SCHEME (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

30 June 2016		
Number of options	Exercise price*	Exercise period
exercisable	<i>US\$</i>	
<i>'000</i>	<i>per share</i>	
8,856	0.0026	2008/05/12–2019/12/31
2,672	0.0031	2007/12/31–2016/10/01
2,672	0.0041	2007/12/31–2016/10/01
428	0.0046	2009/07/03–2019/07/31
1,325	0.0072	2008/03/03–2019/07/31
1,710	0.0103	2010/03/28–2018/01/15
727	0.0139	2011/12/08–2019/07/31
3,920	0.0154	2010/01/01–2019/12/20
898	0.0185	2010/01/05–2019/07/31
1,148	0.0206	2012/12/31–2018/10/08
5,344	0.0257	2010/12/31–2019/12/31
394	0.0515	2013/08/10–2025/07/31
45,279	0.0617	2014/12/31–2025/07/31
47,069	0.0772	2009/12/31–2025/07/31
68,244	0.1029	2011/07/15–2025/07/31
51	0.1552	2016/06/22–2026/06/21
<hr/>		
190,737		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

19. SHARE OPTION SCHEME (CONTINUED)

The fair value of the share options granted during the period was US\$636,770 (US\$0.075 each) (2015: US\$3,647,751, US\$0.130 each), of which the Group recognized a share option expense of US\$784,000 (unaudited) (2015: US\$1,425,000) during the six months ended 30 June 2016.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, 22 June 2016, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	43
Risk-free interest rate (%)	1.15
Expected life of options (<i>year</i>)	10
Share price (<i>HK\$ per share</i>)	1.18

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

At the end of reporting period, the Company had 300,157,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 300,157,000 additional ordinary shares of the Company, an additional share capital of approximately US\$300,157 and a share premium of approximately US\$22,023,408 (before issue expenses).

20. BUSINESS COMBINATION

On 30 June 2016, the Group acquired 51% of the equity interests of Jinan Nornoon, an unlisted company engaged in the production of the feed enzymes, by way of capital injection in Jinan Nornoon. The acquisition was made as part of the Group's strategy to expand its industrial synthetic biology product lines into other areas of the feed industry. The consideration for the acquisition was in the form of cash, with US\$7,993,000 paid in June 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

20. BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable assets and liabilities of Jinan Nornoon as at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognized on acquisition <i>US\$'000</i>
Property, plant and equipment		6,633
Prepaid land lease payments		911
Other intangible assets – patents		953
Other intangible assets – customer relationship		156
Inventories		1,494
Trade and notes receivables		1,494
Prepayments, deposits and other receivables		401
Cash and cash equivalents		8,064
Trade payables		(1,378)
Other payables and accruals		(4,642)
Interest-bearing bank borrowings		(1,237)
Tax payable		151
Deferred tax liabilities		(167)
		<hr/>
Total identifiable net assets at fair value		12,833
Non-controlling interests		(6,288)
		<hr/>
Goodwill arising on acquisition	10	1,448
		<hr/>
Satisfied by cash		7,993
		<hr/> <hr/>

An analysis of the cash flows on acquisition is as follows:

	<i>US\$'000</i>
Cash consideration of the acquisition	(7,993)
Cash and bank balances acquired	8,064
	<hr/>
Net cash inflow on acquisition (included in cash flows from investing activities)	71
	<hr/> <hr/>

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Jinan Nornoon with those of the Group. The goodwill is not deductible for income tax purposes.

The Group incurred transaction costs of US\$54,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss and are part of operating cash flows in the statement of cash flows.

21. OPERATING LEASE COMMITMENTS

The Group leases certain of its production and office properties under operating lease arrangements. Leases for properties are negotiated for terms of one to seven years. At 30 June 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Within one year	942	878
In the second to fifth years, inclusive	3,190	3,506
After five years	54	110
	<u>4,186</u>	<u>4,494</u>

22. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 21 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Contracted, but not provided for: Plant and machinery	<u>1,044</u>	<u>47</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

23. RELATED PARTY TRANSACTIONS

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

Company	Relationship
Chongyang Jinrui Rabbit Breeding Limited ("Jinrui Rabbit")	An entity controlled by an immediate family of the controlling shareholder

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

		For the six months ended 30 June	
	Notes	2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
Purchases of raw materials from Jinrui Rabbit	(i)	10	12

Notes:

(i) The prices are mutually agreed after taking into account the prevailing market prices.

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

	For the six months ended 30 June	
	2016 US\$'000 (Unaudited)	2015 US\$'000 (Audited)
Short-term employee benefits	1,106	764
Pension scheme contributions	12	13
Equity-settled share option expense	272	597
Total compensation paid to key management personnel	1,390	1,374

24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows:

As at 30 June 2016 (unaudited)

Financial assets

	Loans and receivables <i>US\$'000</i>
Trade and notes receivables	21,547
Financial assets included in prepayments, deposits and other receivables	3,617
Cash and cash equivalents	122,067
Pledged short-term deposits	202
	<hr/>
	147,433
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortized cost <i>US\$'000</i>
Trade payables	3,982
Financial liabilities included in accrued liabilities and other payables	7,936
Interest-bearing bank borrowings	1,237
	<hr/>
	13,155
	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

24. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows (continued):

As at 31 December 2015 (audited)

Financial assets

	Loans and receivables <i>US\$'000</i>
Trade and notes receivables	16,914
Financial assets included in prepayments, deposits and other receivables	8,784
Cash and cash equivalents	103,720
Pledged short-term deposits	202
	<hr/>
	129,620
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortized cost <i>US\$'000</i>
Trade payables	2,414
Financial liabilities included in accrued liabilities and other payables	7,471
	<hr/>
	9,885
	<hr/> <hr/>

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized by the board of directors on 28 August 2016.