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Genscript Biotech Corporation

金斯瑞生物科技股份有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1548)

**ANNOUNCEMENT OF UNAUDITED CONSOLIDATED
INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017**

INTERIM RESULTS HIGHLIGHTS

- For the six months ended June 30, 2017, the revenue of the Group was approximately US\$63.4 million, representing an increase of 19.2% as compared with US\$53.2 million for the same period of 2016.
- For the six months ended June 30, 2017, the gross profit increased by 19.5% from US\$35.9 million for the same period of 2016 to US\$42.9 million.
- For the six months ended June 30, 2017, the net profit of the Group increased by 14.4% from approximately US\$13.2 million for the same period of 2016 to approximately US\$15.1 million.
- For the six months ended June 30, 2017, the profit attributable to the shareholders of the Company increased by 13.6% from approximately US\$13.2 million for the same period of 2016 to approximately US\$15.0 million.

The board of directors (the “**Board**”) of Genscript Biotech Corporation (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2017 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2016 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended June 30,	
		2017	2016
		Unaudited	Unaudited
	Notes	US\$'000	US\$'000
REVENUE	4	63,386	53,200
Cost of sales		<u>(20,452)</u>	<u>(17,303)</u>
Gross profit		42,934	35,897
Other income and gains	4	2,458	1,964
Selling and distribution expenses		(10,251)	(9,560)
Administrative expenses		(14,163)	(12,057)
Other expenses		<u>(2,854)</u>	<u>(31)</u>
PROFIT BEFORE TAX	5	18,124	16,213
Income tax expense	6	<u>(3,007)</u>	<u>(3,022)</u>
PROFIT FOR THE PERIOD		<u>15,117</u>	<u>13,191</u>
Attributable to:			
Owners of the parent		14,980	13,191
Non-controlling interests		<u>137</u>	<u>–</u>
		<u>15,117</u>	<u>13,191</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		<u>US\$0.88 cents</u>	<u>US\$0.80 cents</u>
– Diluted		<u>US\$0.86 cents</u>	<u>US\$0.78 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2017	2016
	Unaudited	Unaudited
	US\$'000	US\$'000
PROFIT FOR THE PERIOD	<u>15,117</u>	<u>13,191</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>4,788</u>	<u>(2,620)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>4,788</u>	<u>(2,620)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>4,788</u>	<u>(2,620)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>19,905</u>	<u>10,571</u>
Attributable to:		
Owners of the parent	19,630	10,571
Non-controlling interests	<u>275</u>	<u>—</u>
	<u>19,905</u>	<u>10,571</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at June 30, 2017 Unaudited US\$'000	As at December 31, 2016 Audited US\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	57,317	43,735
Advance payments for property, plant and equipment		3,502	2,181
Investments in associates		528	–
Prepaid land lease payments		9,090	7,782
Goodwill		1,384	1,384
Other intangible assets		2,301	2,130
Deferred tax assets		5,083	4,911
Total non-current assets		79,205	62,123
CURRENT ASSETS			
Inventories	10	5,567	4,237
Trade and notes receivables	11	23,630	20,022
Prepayments, deposits and other receivables	12	5,031	2,984
Other current assets	13	1,181	–
Pledged short-term deposits	14	202	202
Cash and cash equivalents	14	130,749	136,464
Total current assets		166,360	163,909
CURRENT LIABILITIES			
Trade payables	15	4,463	4,352
Other payables and accruals	16	29,001	30,326
Tax payable		5,324	4,493
Government grants		60	44
Total current liabilities		38,848	39,215
NET CURRENT ASSETS		127,512	124,694
TOTAL ASSETS LESS CURRENT LIABILITIES		206,717	186,817

		As at June 30, 2017 Unaudited US\$'000	As at December 31, 2016 Audited US\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Deferred tax liabilities		324	447
Government grants		<u>2,428</u>	<u>2,349</u>
Total non-current liabilities		<u>2,752</u>	<u>2,796</u>
NET ASSETS		<u>203,965</u>	<u>184,021</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	1,715	1,692
Reserves		<u>195,567</u>	<u>175,921</u>
		197,282	177,613
Non-controlling interests		<u>6,683</u>	<u>6,408</u>
TOTAL EQUITY		<u>203,965</u>	<u>184,021</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The Group is a life sciences research and application service and product provider. The services and products include (i) life sciences research services, (ii) life sciences research catalog products, (iii) preclinical drug development services, and (iv) industrial synthetic biology products.

These interim condensed consolidated financial statements are presented in US dollars (US\$), unless otherwise stated, and were approved for issue by the Board on August 28, 2017.

2. BASIS OF PREPARATION

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended June 30, 2017 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.

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 December 31, 2016.

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 December 31, 2016, except for the adoption of new standards and interpretations effective as of January 1, 2017.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	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. SEGMENT INFORMATION

The segment information for the six months ended June 30, 2017 is as follows:

	Life sciences research services <i>US\$'000</i>	Preclinical drug development services <i>US\$'000</i>	Life sciences research catalog products <i>US\$'000</i>	Industrial synthetic biology products <i>US\$'000</i>	Total <i>US\$'000</i>
Segment sales	53,024	2,240	3,453	4,669	63,386
Segment cost of sales	15,410	725	1,164	3,153	20,452
Segment gross profit	<u>37,614</u>	<u>1,515</u>	<u>2,289</u>	<u>1,516</u>	<u>42,934</u>

The segment information for the six months ended June 30, 2016 is as follows:

	Life sciences research services <i>US\$'000</i>	Preclinical drug development services <i>US\$'000</i>	Life sciences research catalog products <i>US\$'000</i>	Industrial synthetic biology products <i>US\$'000</i>	Total <i>US\$'000</i>
Segment sales	44,356	4,765	2,676	1,403	53,200
Segment cost of sales	13,545	1,613	944	1,201	17,303
Segment gross profit	<u>30,811</u>	<u>3,152</u>	<u>1,732</u>	<u>202</u>	<u>35,897</u>

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 June 30,	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Revenue		
Rendering of services	55,264	49,120
Sale of goods	8,122	4,080
	<u>63,386</u>	<u>53,200</u>
Other income and gains		
Foreign currency exchange gain	–	1,755
Bank interest income	300	179
Government grants	2,119	29
Investment income	33	–
Others	6	1
	<u>2,458</u>	<u>1,964</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended June 30,	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	1,288	913
Cost of services provided	8,648	6,449
Depreciation of items of property, plant and equipment	2,937	2,383
Amortization of other intangible assets*	178	112
Amortization of prepaid land lease payments	96	82
(Reversal of)/Provision provided for impairment of trade receivables	(170)	92
Minimum lease payments under operating leases – Land and buildings	774	488
Auditors' remuneration	89	88
Employee benefit expense (excluding directors' remuneration):		
Wage and salaries	22,509	15,790
Pension scheme contributions (defined contribution schemes)	2,065	1,851
Equity-settled share option expense	992	546
	25,566	18,187
Research and development costs	4,784	3,548
Loss on disposal of items of property, plant and equipment	30	9
Foreign exchange losses	2,784	–
Write-down of inventories to net realizable value	95	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.

6. INCOME TAX

	For the six months ended June 30,	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current income tax expense	3,302	4,377
Deferred income tax expense	(295)	(1,355)
Income tax expense	<u>3,007</u>	<u>3,022</u>

7. DIVIDENDS

	For the six months ended June 30,	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Dividends on ordinary shares during the period	<u>–</u>	<u>–</u>

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2017 (for the six months ended June 30, 2016: Nil).

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 1,702,366,087 (for the six months ended June 30, 2016: 1,653,031,268) 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 June 30,	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	14,980	13,191
	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,702,366,087	1,653,031,268
Effect of dilution – weighted average number of ordinary shares:		
Share options	33,202,638	40,723,238
	1,735,568,725	1,693,754,506

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended June 30, 2017, the Group acquired items of property, plant and equipment with a cost of US\$16,238,000 (for the six months ended June 30, 2016: US\$3,031,000).

Assets with a net book value of US\$32,000 were disposed of by the Group during the six months ended June 30, 2017 (December 31, 2016: US\$9,000), resulting in a net loss on disposal of US\$30,000 (for the six months ended June 30, 2016: US\$9,000).

10. INVENTORIES

	June 30, 2017 US\$'000 (Unaudited)	December 31, 2016 US\$'000 (Audited)
Raw materials	2,754	1,892
Work in progress	854	1,437
Finished goods	<u>2,906</u>	<u>1,760</u>
	6,514	5,089
Less: Provision for inventories	<u>(947)</u>	<u>(852)</u>
	<u>5,567</u>	<u>4,237</u>

Inventory provision of US\$95,000 was recognized for the six months ended June 30, 2017 (for the six months ended June 30, 2016: US\$50,000). Inventory provision has been included in “cost of sales” in the interim condensed consolidated statement of profit or loss.

11. TRADE AND NOTES RECEIVABLES

	June 30, 2017 US\$'000 (Unaudited)	December 31, 2016 US\$'000 (Audited)
Trade receivables	23,067	20,037
Notes receivable	<u>1,458</u>	<u>1,050</u>
	24,525	21,087
Less: Provision for impairment of trade receivables	<u>(895)</u>	<u>(1,065)</u>
	<u>23,630</u>	<u>20,022</u>

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

	June 30, 2017 US\$'000 (Unaudited)	December 31, 2016 US\$'000 (Audited)
Within 3 months	20,712	16,948
3 months to 6 months	528	1,081
6 months to 12 months	590	837
Over 1 year	1,237	1,171
	23,067	20,037

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2017 US\$'000 (Unaudited)	December 31, 2016 US\$'000 (Audited)
Other receivables	1,873	1,475
Prepayments	1,221	664
Prepaid expenses	1,196	371
VAT recoverable ^(a)	532	344
Advance to employees	145	155
Interest receivable	89	–
	5,056	3,009
Less: Impairment of other receivables	(25)	(25)
	5,031	2,984

- (a) 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.

13. OTHER CURRENT ASSETS

	June 30, 2017 US\$'000 (Unaudited)	December 31, 2016 US\$'000 (Audited)
Financial products investment	1,181	–

Other current assets are financial products issued by China Merchants Bank, with no guarantee of the principal and the interest, and the expected annual interest rate is between 3.60% and 4.55%.

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	June 30, 2017 US\$'000 (Unaudited)	December 31, 2016 US\$'000 (Audited)
Cash and bank balances	130,749	136,464
Pledged short-term deposits	202	202
	130,951	136,666
Less: Pledged short-term deposits for letters of credit	(202)	(202)
Cash and cash equivalents	130,749	136,464

15. TRADE PAYABLES

As at June 30, 2017 and December 31, 2016, the ageing analysis of the trade payables based on the invoice date, is as follows:

	June 30, 2017 US\$'000 (Unaudited)	December 31, 2016 US\$'000 (Audited)
Within 3 months	3,970	4,116
3 months to 6 months	207	78
6 months to 12 months	76	112
Over 1 year	210	46
	<hr/>	<hr/>
	4,463	4,352
	<hr/>	<hr/>

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

16. OTHER PAYABLES AND ACCRUALS

	June 30, 2017 US\$'000 (Unaudited)	December 31, 2016 US\$'000 (Audited)
Accrued payroll	8,710	13,182
Advances from customers	6,880	7,516
Other payables	4,523	3,713
Payables for purchases of machinery and construction of buildings	6,418	2,638
Taxes payable other than corporate income tax	1,697	1,172
Accrued expenses	773	2,105
	<hr/>	<hr/>
	29,001	30,326
	<hr/>	<hr/>

17. SHARE CAPITAL AND SHARE PREMIUM

Shares

	June 30, 2017 <i>US\$'000</i> (Unaudited)	December 31, 2016 <i>US\$'000</i> (Audited)
Authorized:		
Ordinary shares (of US\$0.001 each)	<u>5,000</u>	<u>5,000</u>
Issued and fully paid:		
Ordinary shares (of US\$0.001 each)	<u>1,715</u>	<u>1,692</u>

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

	Number of shares in issue	Share capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Total <i>US\$'000</i>
At January 1, 2017	1,691,861,775	1,692	118,051	119,743
Share options exercised	<u>22,820,222</u>	<u>23</u>	<u>2,392</u>	<u>2,415</u>
At June 30, 2017 (unaudited)	<u>1,714,681,997</u>	<u>1,715</u>	<u>120,443</u>	<u>122,158</u>

POSITIONING OF THE COMPANY

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.

BUSINESS REVIEW

For the six months ended June 30, 2017, the Group's overall revenue increased by 19.2% to US\$63.4 million (the same period in 2016: US\$53.2 million). Gross profit was approximately US\$42.9 million, representing an increase of 19.5% from approximately US\$35.9 million for the same period in 2016. Gross profit margin maintained at a relatively stable level of 67.7% (the same period in 2016: 67.5%). The profit attributable to the shareholders of the Company (the “**Shareholders**”) was approximately US\$15.0 million, increased by 13.6% as compared with approximately US\$13.2 million for the same period as of June 30, 2016.

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 83.6%, 5.5%, 3.5%, and 7.4%, respectively, of the total revenue of the Group.

Results Analysis of the Four Business Segments

Life Sciences Research Services

During the Reporting Period, revenue of life sciences research services amounted to approximately US\$53.0 million, representing an increase of 19.6% (the same period in 2016: US\$44.3 million). The gross profit was approximately US\$37.6 million, representing an increase of 22.1% as compared with approximately US\$30.8 million for the same period in 2016. The gross profit margin varied from 69.5% for the same period last year to 70.9% this year, and maintained at a stable level.

The Group launched a series of new services to enter into the new markets where it had no presence previously. These new services are either the substitute of existing services or the solution to existing customers' downstream demands, which further enhanced the Group's capability to integrate into clients' value chain. Certain key services had also been upgraded on the specifications, which enabled the Group to maintain its competitive advantages in the existing market.

In addition, the Group continued to increase its investment in marketing activities, particularly in the area of online promotion, regional advertising and offline channel development, including participation in more exhibitions and strengthening of the relationships with the customers. Furthermore, during the Reporting Period, there were increasingly marketing campaigns online and offline to promote the products and service or the brand of the Group, which effectively enhanced the Group's capability to acquire new customers. Equipped with optimized key accounts management, the Group was able to secure businesses with its existing key clients and establish relationships with new clients, which contributed to the rapid increase of the number of the customers, particularly in the areas of antibody development.

The Group not only gained more exposure in the therapeutic antibody area in the PRC market, but also strengthened the cooperation with clients on antibody drug development, as well as maintained a healthy client pipeline in different stages.

Life Sciences Research Catalog Products

During the Reporting Period, revenue of life sciences research catalog products amounted to approximately US\$3.5 million, representing an increase of 29.6% (the same period in 2016: US\$2.7 million). The gross profit was approximately US\$2.3 million, representing an increase of 35.3% as compared with approximately US\$1.7 million for the same period in 2016. Gross profit margin varied from 64.7% for the same period last year to 66.3% this year.

The Group launched hundreds of secondary antibody to further diversify its antibody portfolio. The magnetic beads product scale had been significantly expanded, which reduced the production cost and further improved the batch consistency.

Preclinical Drug Development Services

During the Reporting Period, revenue of preclinical drug development services was US\$2.2 million, representing a decrease of 54.2% as compared with US\$4.8 million for the same period in 2016. The gross profit was approximately US\$1.5 million, representing a decrease of 53.1% as compared with approximately US\$3.2 million for the same period in 2016. Gross profit margin increased from 66.2% for the same period last year to 67.6% this year.

The decrease in revenue and gross profit was primarily due to (i) certain services rendered under this segment were merged into the life sciences research service segment as a result of the change of the Group's development strategy; (ii) during the Reporting Period, this segment was transformed to focus more on the new antibody discovery only and services were rendered to fulfill the orders received and confirmed in 2016.

Industrial Synthetic Biology Products

During the Reporting Period, revenue of industrial synthetic biology products increased by 235.7% to US\$4.7 million (the same period in 2016: US\$1.4 million). The gross profit was approximately US\$1.5 million, representing an increase of 650.0% as compared with approximately US\$0.2 million for the same period in 2016. Gross profit margin varied from 14.4% for the same period last year to 32.5% this year.

The Group has developed a series of new products including glucose oxidase, fungal amylase, glucose isomerase, phytase and acid amylase. Our glucose oxidase has successfully entered into the high-end baking market. Nanjing Bestzyme Bioengineering Co., Ltd.* (南京百斯杰生物工程有限公司) (“**BSJ Nanjing**”), an indirect wholly owned subsidiary of the Company, was engaged by Standardization Administration of the PRC in drafting the national standards for the enzyme industry named “Directive Rules for Classification of Industry Enzymes” (《酶製劑分類導則》). During the Reporting period, the Group had one new registered patent and three pending patent applications in the PRC with respect of the production technology of the glucoamylase.

FINANCIAL REVIEW

	Six months ended June 30,		
	2017 US\$'000	2016 US\$'000	Change
Revenue	63,386	53,200	19.2%
Gross profit	42,934	35,897	19.5%
Net profit	15,117	13,191	14.4%
Profit attributable to the Shareholders	14,980	13,191	13.6%
Basic earnings per share (US\$)	0.0088	0.0080	10.0%
Diluted earnings per share (US\$)	0.0086	0.0078	10.3%

Revenue

During the Reporting Period, the Group recorded revenue of approximately US\$63.4 million, representing an increase of 19.2% from approximately US\$53.2 million for the same period of 2016. This is mainly caused by (a) launch of a number of new services and products in the traditional fields; (b) our strengthened sales and marketing efforts on key customers and the PRC market; and (c) the increase in both number of customers and their purchase volume of industrial synthetic biology products, primarily due to the diversified product lines and enhanced marketing activities since the Company completed the acquisition of Jinan Nornoon Biological Engineering Co., Ltd* (濟南諾能生物工程有限公可) in June 2016.

Gross Profit

During the Reporting Period, the Group's gross profit increased by 19.5% to approximately US\$42.9 million from approximately US\$35.9 million for the same period of 2016. Gross profit margin varied from 67.5% for the same period last year to 67.7% this year.

Selling and distribution expenses

The selling and distribution expenses increased by 7.3% to approximately US\$10.3 million during the Reporting Period from US\$9.6 million for the same period of 2016. This is mainly due to new market development, sales promotion and increased compensation package for sales team.

General and administrative expenses

During the Reporting Period, the general and administrative expense increased by 10.6% to approximately US\$9.4 million from approximately US\$8.5 million for the same period of 2016, excluding the research and development expenses. This is mainly due to the increased compensation package for back-office team along with business expansion.

Research and development expenses

During the Reporting Period, the research and development expenses increased by 37.1% to approximately US\$4.8 million from approximately US\$3.5 million for the same period of 2016. This is mainly due to (a) our continuous investment in research and development of LG CAR-T; (b) the increase in our research and development activities in connection with the development of next generation technologies and the improvement of our service and products efficiency; and (c) our participation in certain new challenging research and development projects under the industrial synthetic biology products segment, which significantly strengthened our competitiveness in the market and improved our production efficiency.

Income tax expense

The income tax expense was approximately US\$3.0 million for the Reporting Period, which is stable with the same period of 2016, mainly because of more tax preference received by the Company as a result of sharp increase in the research and development expenses incurred by the PRC subsidiaries.

Net profit

During Reporting Period, net profit of the Group increased by 14.4% from approximately US\$13.2 million for the same period of 2016 to approximately US\$15.1 million.

Significant investments held, material acquisitions and disposals

On June 27, 2017, BSJ Nanjing entered into a capital increase agreement with Nanjing Jin Bai Enterprise Management Centre (limited partnership)* (南京金百企業管理中心 (有限合夥)) (“**PRC Fund**”) and Bestzyme Biotech HK Limited (香港百斯杰生物科技有限公司) (“**BSJ HK**”) (the “**BSJ Capital Increase Agreement**”). Upon completion, the equity interest in BSJ Nanjing will be held as to 92.59% by BSJ HK and 7.41% by the PRC Fund, and BSJ Nanjing will become an indirect non-wholly owned subsidiary of the Company.

On June 27, 2017, Legend Biotech Corporation (“**Legend Cayman**”), a direct wholly owned subsidiary of the Company, entered into a share subscription agreement with the Company and AquaPoint L.P. (“**Cayman Fund**”) (the “**Legend Share Subscription Agreement**”). On August 28, 2017, the Legend Cayman, the Company and the Cayman Fund entered into a supplemental agreement in relation to the Legend Share Subscription Agreement (the “**Supplemental Agreement**”). Upon completion, Legend Cayman will be held as to 84.84% by the Company and held as to 15.16% by the Cayman Fund, and Legend Cayman will become a direct non-wholly owned subsidiary of the Company.

Please refer to the announcements dated June 28, 2017, July 17, 2017 and August 28, 2017, for details of the transactions as contemplated under the BSJ Capital Increase Agreement, the Legend Share Subscription Agreement and the Supplemental Agreement.

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

Contingent liabilities and guarantees

As of June 30, 2017, the Group did not have any material contingent liabilities or guarantees.

Current ratio and gearing ratio

As at June 30, 2017, the Group's current ratio (current assets to current liabilities) was approximately 4.3 (as at December 31, 2016: 4.2); and gearing ratio (total liabilities to total assets) was approximately 16.9% (as at December 31, 2016: 18.6%).

Bank loans

As at June 30, 2017, the Group did not have any bank loans.

Future plans for material investments or capital assets

The Group plans to (i) build a new research and development facility in Nanjing with a total investment amount of US\$18.0 million, the majority of which will be spent in 2018; (ii) construct a new production facility in Zhenjiang with a total investment amount of US\$11.0 million, the majority of which will be spent in the second half of 2017, which may double the Group's current production capacity for molecular biology and peptide businesses; and (iii) build a new industry enzymes production facility in Shandong with a total investment amount of US\$19.0 million, the majority of which will be spent in the second half of 2017, which may equip the Group's industry enzymes business with the most up-to-date production platform and more production capacity than that of the acquired old facility in Shandong.

Save as disclosed above, there was no specific plan for material investments or capital assets as of June 30, 2017.

Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group 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 on interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on 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 food companies, colleges, universities, and research institutes in China, as well as occasionally with other customers in the United States and Europe. In addition, the Group reviews the recoverable amount of each individual 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, 2017, the Group had no charges over its lands, property, plant, equipment, or other assets.

Working capital and financial resources

As at June 30, 2017, the cash and cash equivalents of the Group amounted to US\$131.0 million (as at December 31, 2016: US\$136.5 million).

Capital expenditure

During the Reporting Period, the expenditure incurred in purchasing intangible assets, namely software, patents and license was US\$0.2 million, while the expenditure incurred in purchasing property, plant and equipment and construction in process amounted to US\$16.2 million.

Employees and remuneration policies

As of June 30, 2017, the Group had a total of approximately 1,600 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 the Reporting Period, the Group's total expenses on the remuneration of employees was approximately US\$24.6 million (excluding share-based payment of approximately US\$1.0 million), representing 38.8% of the revenue of the Group.

On July 15, 2015, the Company adopted the pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”). On December 7, 2015, the Company adopted a post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”). No further options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on the Stock Exchange.

On April 25, 2017, under the Post-IPO Share Option Scheme, 27,550,000 share options to subscribe for an aggregate of 27,550,000 ordinary shares of US\$0.001 each of the Company were granted to certain employees with validity period of the options from April 25, 2017, to April 24, 2027, and exercise price of HK\$3.512.

Save as disclosed, 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 of June 30, 2017 is set forth as follows:

Function	Number of employees	Percentage of total
Production	883	55.19%
Sales and marketing	223	13.94%
Administration	249	15.56%
Research and development	156	9.75%
Management	89	5.56%
	<hr/>	<hr/>
Total	<u>1,600</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, 2017, is set forth as follows:

	Utilized amount as 30 at June, 2017 (US\$ million)
Item	
Expand life sciences research and application service and product portfolio	17.5
Expand production capacity	17.9
Enhance information technology capability	0.9
Acquire interests in or business of companies to complement existing operations	8.0
Reinforce the sales and marketing team	0.6
	<hr/>
Total	<hr/> <hr/> 44.9

PROSPECTS

We believe that we have achieved the pre-set goals in all major aspects within the first six months of 2017. 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended June 30, 2017, neither the Directors nor any of their close associates had any interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2017.

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 “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has been in compliance with the code provisions of the CG Code throughout the six months ended June 30, 2017, except for the deviation of code provision A.2.1.

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Yet, Dr. 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, 2017.

SANCTIONS RISK CONTROL COMMITTEE

During the Reporting Period to the date of this announcement, the sanctions risk control committee of the Company (the “**Sanctions Risk Control Committee**”) held two meetings on March 20, 2017 and June 30, 2017 to review the activities, relevant policies and procedures in relation to economic sanctions, the guidance on the compliance with contractual covenants including those made in connection with the Global Offering and Listing of Shares on the Stock Exchange, the use of proceeds, and the internal control policies and procedures with respect to the sanctions risks. The Sanctions Risk Control Committee reviewed the activities of the Group that may be subject to economic sanctions for the Reporting Period and monitored the Group’s exposure to risks of sanctions violations. The Sanctions Risk Control Committee resolved that the activities that may be subject to economic sanctions were being monitored effectively and was satisfied with the effectiveness of the relevant policies, procedures, guidance, and internal control measures.

CHANGES IN DIRECTORS’ INFORMATION

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

Dr. Zhang Fangliang was appointed as the director of Yangtze Investment (BVI) Limited (previously known as Genscript Holdings (BVI) Limited) and Yangtze Investment (HK) Limited (previously known as Genscript Holding (HK) Limited) on January 4, 2017 and February 16, 2017, respectively.

Ms. Wang Ye was appointed as the director of Qragen Biotech Corporation and Qragen Biotech (HK) Limited on July 1, 2017 and July 7, 2017, respectively.

Mr. Dai Zumian left Xiezhong International Holdings Limited (協眾國際控股有限公司, HKSE: 3663), which is listed on the Main Board of the Stock Exchange, in June 2017.

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

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

ACKNOWLEDGMENT

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

By order of the Board
Genscript Biotech Corporation
Zhang Fangliang
Chairman and Chief Executive Officer

Hong Kong, August 28, 2017

As at the date of this announcement, the executive Directors are Dr. Zhang Fangliang, Ms. Wang Ye and Mr. Meng Jiange; the non-executive Directors are Dr. Wang Luquan, Mr. Huang Zuie-Chin and Mr. Pan Yuexin; and the independent non-executive Directors are Mr. Guo Hongxin, Mr. Dai Zumian and Ms. Zhang Min.

** For identification purposes only*