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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)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of the Company dated 28 June 2017 in relation to the Deemed Disposal of BSJ Nanjing, Subscription of New Shares of Legend Cayman, and Connected Transaction in relation to the Deemed Disposal of Legend Cayman (the “**June Announcement**”), the supplemental announcement of the Company dated 17 July 2017 (the “**July Announcement**”), and the announcement of the Company dated 28 August 2017 in relation to the Additional Subscription of New Shares of Legend Cayman and Connected Transaction in relation to the Deemed Disposal of Legend Cayman (the “**August Announcement**”, together with the June Announcement and the July Announcement, the “**Announcements**”). Capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

The fair value of the net deficit of Legend Cayman and its subsidiaries before the Legend Share Allotment and Issuance and the Additional Legend Share Allotment and Issuance is RMB1,714,927 (equivalent to US\$251,481). Net deficit of Legend Cayman and its subsidiaries is largely due to inter-company loans of US\$2,500,000 (equivalent to RMB17,048,250) from the Company. Excluding the loans, the fair value of the net asset of Legend Cayman and its subsidiaries is RMB15,333,323 (equivalent to US\$2,248,519).

As disclosed in the July Announcement and the August Announcement, after the Legend Share Allotment and Issuance and the Additional Legend Share Allotment and Issuance, the proceeds of which include the (a) Initial Legend Fund Consideration (being RMB10,263), (b) the Additional Cayman Fund Subscription Price (being RMB3,779,737), and (c) Additional Listco Subscription Price (being RMB5,876,677) and capitalisation of the Loans (being US\$2,500,000, equivalent to RMB17,048,250), less the (d) fair value of the net deficit of Legend Cayman and its subsidiaries (being RMB1,714,927), the Projected Valuation of Legend Cayman and its subsidiaries will be RMB25,000,000.

Upon the Legend Completion, Legend Cayman will be directly held as to 84.84% by the Company and 15.16% by the Cayman Fund based on its respective investment.

Further to the information as disclosed in the Announcements, the Board wishes to provide potential investors and shareholders of the Company with the following supplementary information.

LEGEND CAYMAN AND ITS SUBSIDIARIES

The Board wishes to supplement that as at the date of each of the Announcements and as of the date of this announcement, Legend Cayman owns 100% of the entire issued share capital of Legend Biotech Limited (“**Legend BVI**”), which in turn owns 100% of the entire issued share capital of Legend Biotech HK Limited (“**Legend HK**”), which in turn owns 100% of the entire equity interest of Nanjing Legend Biotechnology Co., Ltd. (“**Legend Nanjing**”).

The fair value of the net deficit and the book value of Legend Cayman and its subsidiaries before the Legend Share Allotment and Issuance and the Additional Legend Share Allotment and Issuance are as follows:

	Fair Value of Legend Cayman and each of its subsidiaries as of 31 December 2016 US\$	Book Value of Legend Cayman and each of its subsidiaries as of 31 December 2016 US\$
Legend Cayman	(3,929)	(3,929)
Legend BVI	(2,578)	(2,578)
Legend HK (<i>Note</i>)	(2,595,083)	(2,595,083)
Legend Nanjing	2,350,109	1,639,435
Total	(251,481)	(962,155)

Note: The fair value of Legend HK does not include its investment in Legend Nanjing as the fair value of Legend Nanjing is presented separately.

It is clarified that the amount of US\$3,929 represents the fair value of the net deficit of Legend Cayman as disclosed in the June Announcement, and the amount of RMB1,714,927 (equivalent to approximately US\$251,481) represents the fair value of the net deficit of Legend Cayman and its subsidiaries as disclosed in the July Announcement. Net deficit refers to net liability.

Legend Cayman, Legend BVI, and Legend HK are holding companies without operation. Their net deficit is largely due to inter-company loans from the Company of US\$2,500,000 and approximates to fair value.

As at 31 December 2016, the fair value of Legend Nanjing is RMB16,026,100 (equivalent to approximately US\$2,350,109). Such valuation is based on the valuation report by an independent valuer engaged by the Company.

VALUATION

According to a valuation report prepared by the professional valuer, Jiangsu GuoHeng Appraisal & Consultant Co., Ltd* 江蘇國衡土地房地產資產評估諮詢有限公司 (the “**Valuer**”), the fair value of 100% of the entire equity interest of Legend Nanjing as at 31 December 2016 was approximately RMB16,026,100 (equivalent to approximately US\$2,350,109).

The Valuer used both income approach and cost approach. For assessing the patent, the Valuer used income approach and such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules (the “**Profit Forecast**”). For assessing other assets and liabilities, the Valuer used cost approach.

For the purpose of complying with Rule 14.62 the Listing Rules, the principal assumptions upon which the Profit Forecast is based are as follows:

General assumptions:

- (i) the assets of Legend Nanjing are and, based on the relevant data and information, will continue to be in operation;
- (ii) Legend Nanjing, based on its existing assets and resources, will continue to operate legally and will not cease to operate in the foreseeable future;

- (iii) all relevant legal approvals and business certificates or licenses to operate the business in the localities in which Legend Nanjing operates or intends to operate has or would be officially obtained and renewable upon expiry;
- (iv) the business contracts, business licences, articles of association, executed agreements, audited reports, financial information and other information provided by Legend Nanjing are true and valid;
- (v) there will not be any material changes in the existing laws, policies or macroeconomics of the PRC, or the political, economical or social environment of the regions in which Legend Nanjing is situated or intends to operate;
- (vi) there will be no significant change to the existing taxation laws, the applicable tax rate will remain unchanged under the relevant laws and policies for the purpose of assessing the fair value of Legend Nanjing, all applicable regulations are complied with, and there is no significant change to the applicable interest rate, exchange rate, tax evaluation criteria and charge levied under the policies;
- (vii) the valuation is a reasonable estimate of the future based on the current market conditions and does not take into account the unforeseeable material changes and fluctuations in the future market;
- (viii) the existing and future management team of Legend Nanjing is and will be diligent, will not commit any material breaches which will affect the development and revenue of Legend Nanjing, and will continue to operate Legend Nanjing on the existing management model;
- (ix) Legend Nanjing could achieve the operation target based on the current work plan; and
- (x) the valuation does not take into account the effects of inflation.

Specific assumptions:

- (i) all tangible assets and liabilities of Legend Nanjing could be collected, paid or replaced;

- (ii) the new drug application of the chimeric antigen receptor T (“**CAR-T**”) cell product of Legend Nanjing for treating multiple myeloma is estimated to be commercialized in 2019 in the PRC, provided that clinical trials have been robustly conducted and all governmental approvals and permits have been obtained;
- (iii) the application of government grants related to the development of the intangible assets will be granted in 2017 and 2018 as the primary source of income;
- (iv) number of clinical patients receiving immunotherapy would increase at approximately a compound annual growth rate of 44.6% from 2019 to 2023 before the expiration of the term of the relevant patents owned by Legend Nanjing.
- (v) revenue generated would increase at approximately a compound annual growth rate of 32.3% from 2017 to 2023 before the expiration of the term of the relevant patents owned by Legend Nanjing; and
- (vi) the discount rate of 15%.

The Board confirms that it has made the Profit Forecast after due and careful enquiry.

Ernst & Young (“**EY**”) has been engaged by the Company to review the discounted cash flow forecast in connection with the valuation of Legend Nanjing upon which the valuation report prepared by the Valuer was based on.

A report from EY and a letter from the Board and are included in the appendices to this announcement.

The following are the qualifications of the Valuer and EY:

Name	Qualification
Jiangsu GuoHeng Appraisal & Consultant Co., Ltd* 江蘇國衡土地房地產資產評估諮詢有限公司	An independent valuer commissioned by the Company to conduct a fair value of 100% of the entire equity interest of Legend Nanjing as at 31 December 2016
Ernst & Young	Certified Public Accountants

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Valuer and EY is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither the Valuer nor EY has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of the Valuer and EY has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

As at the date of this announcement, neither the Legend Share Allotment and Issuance nor the Additional Legend Share Allotment and Issuance has been completed, which may or may not be proceeded. Investors are advised to exercise caution when dealing in shares of the Company.

By Order of the Board
Genscript Biotech Corporation
Dr. Zhang Fangliang
Chairman and Chief Executive Officer

Hong Kong, 9 October 2017

As at the date of this announcement, our executive Directors are Dr. ZHANG Fangliang, Ms. WANG Ye, and Mr. MENG Jiange; our non-executive Directors are Dr. WANG Luquan, Mr. HUANG Zuie-Chin, and Mr. PAN Yuexin; and our independent non-executive Directors are Mr. GUO Hongxin, Mr. DAI Zumian, and Ms. ZHANG Min.

* *For identification purposes only*

APPENDIX I – LETTER FROM EY

Report From Reporting Accountants on the Discounted Cash Flow Forecast in Connection with the Valuation of Nanjing Legend Biotechnology Co., Ltd.

To the Directors of Genscript Biotech Corporation:

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated May 5, 2017 prepared by Jiangsu GuoHeng Appraisal & Consultant Co., Ltd* 江蘇國衡土地房地產資產評估諮詢有限公司 in respect of Nanjing Legend Biotechnology Co., Ltd. (the “**Target**”) as at December 31, 2016 is based. The valuation is set out in the announcement of Genscript Biotech Corporation (the “**Company**”) dated October 9, 2017 (the “**Announcement**”) in connection with the subscription of new shares of Legend Biotech Corporation (“**Legend Cayman**”) and connected transaction in relation to the deemed disposal of Legend Cayman. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “VALUATION” of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Ernst & Young
Certified Public Accountants
Hong Kong
October 9, 2017

* *For identification purposes only*

APPENDIX II – LETTER FROM THE BOARD

9 October 2017

Listing Department
Hong Kong Exchanges and Clearing Limited
12/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

Legend Share Allotment and Issuance and the Additional Legend Share Allotment and Issuance

Reference is made to the announcement of the Company dated 28 June 2017 in relation to the Deemed Disposal of BSJ Nanjing, Subscription of New Shares of Legend Cayman, and Connected Transaction in relation to the Deemed Disposal of Legend Cayman (the “**June Announcement**”), the supplemental announcement of the Company dated 17 July 2017 (the “**July Announcement**”), and the announcement of the Company dated 28 August 2017 in relation to the Additional Subscription of New Shares of Legend Cayman and Connected Transaction in relation to the Deemed Disposal of Legend Cayman (the “**August Announcement**”, together with the June Announcement and the July Announcement, the “**Announcements**”). Capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

We refer to the valuation report dated 5 May 2017 issued by the Valuer regarding the fair value of 100% of the entire equity interests of Nanjing Legend Biotechnology Co., Ltd. (“**Legend Nanjing**”) as at 31 December 2016 (the “**Valuation**”), which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation. We have also considered the report dated October 9, 2017 from our reporting accountants, Ernst & Young, in respect of the discounted cash flow forecast in connection with the valuation of Nanjing Legend Biotechnology Co., Ltd.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, we confirm that we have made the Profit Forecast after due and careful enquiry.

Yours faithfully,
By Order of the Board
Genscript Biotech Corporation
Dr. Zhang Fangliang
Chairman and Chief Executive Officer