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, 2019

INTERIM RESULTS HIGHLIGHTS

- Revenue of the Group for the six months ended June 30, 2019 was approximately US$121.9 million, representing an increase of 8.6% as compared with approximately US$112.2 million recorded for the same period of 2018, among which, the revenue for non-cell therapy business was approximately US$101.2 million, representing an increase of 23.7% as compared with approximately US$81.8 million for the same period of 2018.

- Gross profit of the Group for the six months ended June 30, 2019 was approximately US$78.9 million, representing a decrease of 3.1% as compared with approximately US$81.4 million recorded for the same period of 2018, among which, the gross profit of non-cell therapy business was approximately US$58.2 million, representing an increase of 14.1% as compared with approximately US$51.0 million for the same period of 2018.

- Loss of the Group for the six months ended June 30, 2019 was approximately US$33.3 million, whilst profit of approximately US$17.6 million was recorded for the same period of 2018. The adjusted net loss (excluding share based payment expenses) was approximately US$28.0 million, whilst the adjusted net profit of approximately US$21.2 million was recorded for the same period in 2018.

  During the Reporting Period, the Group invested significantly into research and development activities to strengthen its technical cutting edge and also into the talent pools, both of which are key drivers for a sustainable business growth in the long run and a more robust foundation for growth in the future. For the six months ended June 30, 2019, the Group's research and development expense was approximately US$62.8 million, representing an increase of 125.1% as compared with approximately US$27.9 million for the same period in 2018, in which the investment in research and development on cell therapy reflected approximately US$51.6 million for the six months ended June 30, 2019, representing an increase of 182.0% as compared with approximately US$18.3 million for the same period of 2018.

- Loss attributable to the shareholders of the Group for the six months ended June 30, 2019 was approximately US$27.3 million, whilst the profit attributable to the shareholders of the Group of approximately US$15.5 million was recorded for the same period of 2018.

The board (the "**Board**") of directors (the "**Directors**") 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, 2019 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2018 are as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended June 30,	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***US$'000***	*US$'000*
REVENUE	*4*	**121,878**	112,221
Cost of sales		**(42,979)**	(30,855)
Gross profit		**78,899**	81,366
Other income and gains	*4*	**8,594**	4,386
Selling and distribution expenses		**(30,961)**	(18,990)
Administrative expenses		**(26,725)**	(19,185)
Research and development expenses		**(62,836)**	(27,868)
Other expenses		**(3,064)**	(69)
Finance costs		**(387)**	(14)
Share of losses of associates		**(139)**	(26)
(LOSS)/PROFIT BEFORE TAX	*5*	**(36,619)**	19,600
Income tax credit/(expense)	*6*	**3,284**	(1,954)
(LOSS)/PROFIT FOR THE PERIOD		**(33,335)**	17,646
Attributable to:			
Owners of the parent		**(27,346)**	15,519
Non-controlling interests		**(5,989)**	2,127
		(33,335)	17,646
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic		**(US1.48 cents)**	US0.89 cents
– Diluted		**(US1.48 cents)**	US0.85 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
(LOSS)/PROFIT FOR THE PERIOD	**(33,335)**	17,646
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(711)**	(3,861)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(711)**	(3,861)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**61**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**61**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(650)**	(3,861)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(33,985)**	13,785
Attributable to:		
Owners of the parent	**(28,163)**	12,000
Non-controlling interests	**(5,822)**	1,785
	(33,985)	13,785

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**June 30, 2019 (Unaudited)**	December 31, 2018 (Audited) Restated
		US$'000	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**194,538**	158,013
Advance payments for property, plant and equipment		**6,517**	4,037
Investment properties		**7,562**	–
Right-of-use assets		**5,272**	–
Prepaid land lease payments		**17,198**	17,414
Goodwill		**15,284**	15,287
Other intangible assets		**19,720**	19,642
Investments in associates		**2,985**	2,924
Financial assets at fair value through profit or loss	*10*	**4,061**	3,405
Equity investments designated at fair value through other comprehensive income		**–**	4,949
Deferred tax assets		**17,562**	11,842
Total non-current assets		**290,699**	237,513
CURRENT ASSETS			
Inventories		**14,724**	12,429
Trade and notes receivables	*11*	**49,376**	67,843
Prepayments, other receiveables and other assets		**22,415**	21,889
Financial assets at fair value through profit or loss	*10*	**79,914**	70,056
Pledged short-term deposits	*12*	**184**	12,688
Time deposits	*12*	**141,061**	–
Cash and cash equivalents	*12*	**283,579**	494,558
Total current assets		**591,253**	679,463

	Notes	**June 30, 2019 (Unaudited)** *US$'000*	December 31, 2018 (Audited) Restated *US$'000*
CURRENT LIABILITIES			
Trade and bills payables	*13*	**13,933**	11,187
Other payables and accruals	*14*	**84,128**	73,944
Interest-bearing bank loans	*15*	**17,152**	10,502
Tax payable		**5,832**	16,766
Contract liabilities	*16*	**41,018**	41,018
Government grants		**91**	98
Lease liabilities		**1,381**	–
Total current liabilities		**163,535**	153,515
NET CURRENT ASSETS		**427,718**	525,948
TOTAL ASSETS LESS CURRENT LIABILITIES		**718,417**	763,461
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	*15*	**2,040**	–
Deferred tax liabilities		**5,330**	4,017
Contract liabilities	*16*	**243,974**	262,127
Government grants		**3,964**	4,018
Lease liabilities		**4,110**	–
Total non-current liabilities		**259,418**	270,162
NET ASSETS		**458,999**	493,299
EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**1,860**	1,836
Treasury shares		**(2,271)**	–
Reserves		**454,312**	476,828
		453,901	478,664
Non-controlling interests		**5,098**	14,635
TOTAL EQUITY		**458,999**	493,299

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) bio-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy.

These interim condensed consolidated financial statements are presented in US dollars (US$), unless otherwise stated, and were approved for issue by the Board on August 28, 2019.

2. BASIS OF PREPARATION

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended June 30, 2019 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, 2018.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted the following revised HKFRSs for the first time in these interim condensed consolidated financial information.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16 Leases, the adoption of new and revised standards has no significant financial effect to the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRS 16 are described below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at January 1, 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

Set out below are the amounts by which each financial statement line item was affected as at January 1, 2019 as a result of the adoption of HKFRS 16:

	Increase/ (decrease) *US$'000*
Assets	
Increase in right-of-use assets	5,822
Increase in total assets	5,822
Liabilities	
Increase in lease liabilities	5,934
Increase in total liabilities	5,934
Decrease in total equity	(112)

3. SEGMENT INFORMATION

The segment information for the six months ended June 30, 2019 is as follows:

	Bio-science services and products	**Biologics development services**	**Industrial synthetic biology products**	**Cell therapy**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***
Segment revenue	**81,143**	**9,300**	**10,756**	**20,679**	**121,878**
Segment cost of sales	**28,282**	**6,200**	**8,497**	**–**	**42,979**
Segment result	**52,861**	**3,100**	**2,259**	**20,679**	**78,899**

The segment information for the six months ended June 30, 2018 is as follows:

	Bio-science services and products	Biologics development services	Industrial synthetic biology products	Cell therapy	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Segment revenue	67,333	7,300	7,171	30,417	112,221
Segment cost of sales	20,926	3,699	6,169	61	30,855
Segment result	46,407	3,601	1,002	30,356	81,366

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:

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenue		
Rendering of services	**83,553**	70,007
Sale of goods	**17,646**	11,797
License and collaboration revenue	**20,679**	30,417
	121,878	112,221

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Other income and gains		
Bank interest income	**5,391**	3,060
Government grants	**3,129**	1,210
Investment income	**–**	95
Others	**74**	21
	8,594	4,386

5. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Cost of inventories sold	**2,691**	1,557
Cost of services provided	**15,860**	13,256
Depreciation of right-of-use assets	**643**	–
Depreciation of items of property, plant and equipment	**7,305**	4,847
Depreciation of investment property	**105**	–
Amortization of other intangible assets	**890**	834
Amortization of prepaid land lease payments	**184**	110
Provision provided for impairment of trade receivables	**559**	340
Minimum lease payments under operating leases – Land and buildings	**606**	1,428
Auditors' remuneration	**108**	91
Employee benefit expense (excluding directors' remuneration):		
Wage and salaries	**60,919**	33,583
Pension scheme contributions (defined contribution schemes)	**6,798**	3,914
Equity-settled share option expense	**5,204**	3,453
	72,921	40,950
Research and development costs (excluding employee benefit expenses)	**42,304**	22,246
Loss on disposal of items of property, plant and equipment	**88**	11
Foreign exchange losses	**2,450**	54
Write-down of inventories to net realizable value	**310**	181

6. INCOME TAX

	For the Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current income tax expense	**(1,123)**	(5,646)
Deferred income tax credit	**4,407**	3,692
Income tax credit/(charge) for the period	**3,284**	(1,954)

7. DIVIDENDS

	For the Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Dividends on ordinary shares during the period	**–**	–

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2019 (for the six months ended June 30, 2018: Nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the reporting period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,845,794,313 (for the six months ended June 30, 2018: 1,749,774,884) in issue during the Reporting Period, as adjusted to reflect the rights issue during the Reporting Period.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/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 (loss)/earnings per share are based on:

	For the Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(27,346)**	15,519
Shares		
Weighted average number of ordinary shares in issue during the period	**1,845,915,562**	1,749,774,884
Effect of share repurchased	**(121,249)**	–
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,845,794,313**	1,749,774,884
Effect of dilution – weighted average number of ordinary shares:		
Share options	**38,830,518**	72,156,138
	1,884,624,831	1,821,931,022

The diluted loss per share is the same as the basic loss per share because the effect of share option is anti-diluted for the six months ended June 30, 2019.

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended June 30, 2019, the Group acquired items of property, plant and equipment with a cost of US$52,121,000 (for the six months ended June 30, 2018: US$45,286,000).

Assets with a net book value of US$89,000 were disposed of by the Group during the six months ended June 30, 2019 (for the six months ended June 30, 2018: US$11,000), resulting in a net loss on disposal of US$88,000 (for the six months ended June 30, 2018: US$11,000).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Financial assets at fair value through profit or loss		
Unlisted equity investments, at fair value	**4,061**	3,405
Financial products, at fair value	**79,914**	70,056
	83,975	78,410

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

11. TRADE AND NOTES RECEIVABLES

	June 30, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Trade receivables	**46,583**	65,414
Notes receivable	**2,793**	2,429
	49,376	67,843

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, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Within 3 months	**36,769**	59,692
3 months to 6 months	**6,392**	2,829
6 months to 12 months	**2,010**	720
Over one year	**4,556**	4,758
	49,727	67,999
Less: impairment of trade receivables	**(3,144)**	(2,585)
	46,583	65,414

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	June 30, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Cash and bank balances	**283,579**	494,558
Time deposits	**141,061**	–
Pledged short-term deposits	**184**	12,688
	424,824	507,246
Less: Time deposits	**(141,061)**	–
Pledged short-term deposits for short-term bank loans	**–**	(11,004)
Pledged short-term deposits for bills payables	**(184)**	(1,684)
Cash and cash equivalents	**283,579**	494,558

13. TRADE AND BILLS PAYABLES

	June 30, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Trade payables	**11,751**	9,547
Bills payable	**2,182**	1,640
	13,933	11,187

As at June 30, 2019 and December 31, 2018, the ageing analysis of the trade payables based on the invoice date, is as follows:

	June 30, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Within 3 months	**11,596**	9,364
3 months to 6 months	**96**	57
6 months to 12 months	**26**	56
Over 1 year	**33**	70
	11,751	9,547

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

14. OTHER PAYABLES AND ACCRUALS

	June 30, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Payables for purchases of machinery and construction of buildings	**23,580**	22,817
Accrued payroll	**19,410**	12,852
Accrued expenses	**17,571**	23,631
Advances from customers	**11,622**	11,742
Other payables	**10,251**	2,366
Taxes payable other than corporate income tax	**1,694**	536
	84,128	73,944

15. INTEREST-BEARING BANK LOANS

	June 30, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Bank Loans		
Secured	**2,596**	9,919
Unsecured	**16,596**	583
	19,192	10,502
Repayable:		
Within 1 year	**17,152**	10,502
1 to 2 years	**556**	–
2 to 5 years	**1,484**	–
	19,192	10,502
Portion classified as current liabilities	**17,152**	10,502
Non-current portion	**2,040**	–

16. CONTRACT LIABILITIES

	June 30, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Non-current		
Collaboration revenue	**243,974**	262,127
Current		
Collaboration revenue	**41,018**	41,018
	284,992	303,145

Contract liabilities include advances received to provide services in service period.

17. SHARE CAPITAL AND SHARE PREMIUM

Shares

	June 30, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Authorized:		
Ordinary shares (of US$0.001 each)	**5,000**	5,000
Issued and fully paid:		
Ordinary shares (of US$0.001 each)	**1,860**	1,836

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 January 1, 2019	**1,835,363,077**	**1,836**	**364,100**	**365,936**
Acquisition of equity by minority shareholders	**–**	**–**	**383**	**383**
Purchases of minority interest of the subsidiary	**–**	**–**	**(2,011)**	**(2,011)**
Share options exercised	**24,470,499**	**24**	**2,904**	**2,928**
At June 30, 2019 (unaudited)	**1,859,833,576**	**1,860**	**365,376**	**367,236**

POSITIONING OF THE COMPANY

The Group is a well-recognised biotech company. Deeply rooted in our proprietary gene synthesis technology and the advancement of research and application of our core technology and know-hows, we have well established four major platforms including (i) the leading contracted research organization (the "**CRO**") platform to provide one-stop solutions to global research communities; (ii) the contract development and manufacturing organization (the "**CDMO**") platform; (iii) the industrial synthetic products platform; and (iv) the integrated global cell therapy platform. The above four internally-built platforms have demonstrated their rapid growth from research and development and commercial delivery perspectives during the Reporting Period respectively.

The Group has been inspired by the mission "Make the Human and Nature Healthier through Biotechnology" to fulfill its strategic goals over the past 17 years. To meet our clients' business demands and requirements has been identified as our first priority and the ultimate cornerstone for the Group to pursuit its long term development. We have been improving our clients' competitiveness through providing our superior quality, fast-delivery and cost-effective services and products. Internally, we focus on performing continuous management reform in streamlining our operational workflows and procedures with the aim to strive for the highest quality of end-to-end delivery. Externally, we highly promote the value of strategic collaboration with business partners with the vision to build up a healthy biotech eco-system. We would like to contribute more of our efforts to fuel up the explosive evolvement of the whole biotech and biopharma industries, to realize multi-win among all the participating partners in this industry.

The Group's business operations have been spread throughout over 100 countries worldwide with our legal entities located in the United States, Mainland China, Hong Kong, Japan, Singapore, Netherlands and Ireland. Our professional workforce has increased to 2,993 headcounts by June 30, 2019.

The bio-science services and products segment (CRO platform) remains as the strong and stable revenue generating foundation for the entire corporate. We have maintained the position as one of the world's largest molecular biology CRO companies. Our servcies and products portfolio range from gene synthesis, oligo and peptide synthesis, protein production, protein development, and convenient and high-put-through devices and off-the-shelf products. We have built up very active and healthy interaction with the research scientists. Our services and products have been cited in over 40,300 international peer reviewed journal articles up to June 30, 2019.

The biologics development services segment (CDMO platform) provides end-to-end biologics discovery and development services to pharmaceutical, biotech, government and academic customers worldwide. We have recruited professional veterans to lead our fast growing business in gene and cell therapy solutions and biologics CDMO. The teams have been ready and the Good Manufacturing Practice ("**GMP**") facilities have been under construction and delivering according to our strategic planning, aligning with phase by phase delivery of the discovery, development, and medium to large scale of manufactory demands to our customers.

Legend Biotech Corporation ("**Legend**") is one of the subsidiaries of the Group, and specifically engaged in providing the cell therapy solutions to cancer patients. The clinical trials of our jointly developed B-Cell maturation antigen ("**BCMA**") chimeric antigen receptor T cell ("**CAR-T**") program, collaborated with Janssen-Cilag International N.V. ("**Janssen International**"), targeting the relapsed or refractory multiple myeloma have been running smoothly in the U.S. and China respectively. European Medicines Agency ("**EMA**") granted a "PRIority MEdicines" ("**PRIME**") designation to Janssen International for JNJ-68284528 in April 2019. Legend is entitled to a milestone payment by July 2019, in the amount of US$25,000,000 and US$30,000,000 payable by Janssen International for the second and third milestones, respectively. Our new pipeline CAR-T programs have been under active development, with an anticipation that additional U.S./China Investigational New Drug ("**IND**") approval may be enabled in upcoming 12 to 18 months. A world-class management team covering all the professional functionalities has been established to lead Legend growing up to a global and fully integrated biopharma company in the near future.

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

During the Reporting Period, sales revenue growth have been achieved by all the non-cell therapy business units, research and development have been significantly enhanced to improve our technical competitive edge, and talent pools have been significantly invested. We are very confident that our persistent investments into technology and management reforms and streamlining will be paid off and enable us to achieve a better future ultimately.

BUSINESS REVIEW

For the six months ended June 30, 2019, the Group's overall revenue increased by 8.6% to approximately US$121.9 million (the same period in 2018: US$112.2 million). Gross profit was approximately US$78.9 million, representing a decrease of 3.1% from approximately US$81.4 million for the same period in 2018. Gross profit margin decreased to 64.7% (the same period in 2018: 72.5%). The loss attributable to the shareholders of the Company (the "**Shareholders**") was approximately US$27.3 million, whilst the profit attributable to the Shareholders of approximately US$15.5 million was recorded for the same period of 2018.

During the Reporting Period, the revenue of (i) bio-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy accounted for approximately 66.6%, 7.6%, 8.8%, and 17.0%, respectively, of the total revenue of the Group.

Results Analysis of the Four Business Segments

Bio-Science Services and Products

During the Reporting Period, revenue of bio-science services and products amounted to approximately US$81.1 million, representing an increase of 20.5% (the same period in 2018: US$67.3 million). The gross profit was approximately US$52.9 million, representing an increase of 14.0% as compared with approximately US$46.4 million for the same period in 2018. The gross profit margin maintained stable, with a slight decrease from 68.9% for the same period last year to 65.2% this year.

The growth of revenue was mainly attributable to (i) successful commercial operation that focuses on synthetic biology industry sector which brings stable revenue, especially in gene synthesis and synthetic libraries business; (ii) fully operational Zhenjiang production facility, along with the automated production line of the peptide business, boosted production capacity as well as competitions of bio-science business and increased share in customized peptide market; (iii) improved commercial operations including (a) establishment of Europe and Asian Pacific sites, with new leadership and on the ground team to support regional strategy, (b) increased spending in exhibitions as well as content marketing on diverse media platforms to enhance brand image and awareness, (c) launched or improved user-friendly online services and platforms so as to attract new customers and improve customers' loyalty of our services and products; and (iv) appointment of new leadership in research and development, with continuous investment that enabled more competitive new products and services to be launched onto the market, thereby expanding the customer range and reinforcing customers' loyalty, in addition to the enhancement of our core competitiveness.

Biologics Development Services

During the Reporting Period, revenue of biologics development services amounted to approximately US$9.3 million, representing an increase of 27.4% (the same period in 2018: US$7.3 million). The gross profit was approximately US$3.1 million, representing a decrease of 13.9% as compared with approximately US$3.6 million for the same period in 2018. The gross profit margin varied from 49.3% for the same period last year to 33.3% this year.

The growth of revenue was mainly attributable to (i) marketing promotion in both China and U.S. market; (ii) fast growing talent pool and introduction of senior management team; (iii) expanded capacity in plasmid process development and manufacturing; (iv) out-license and collaboration deals of SMAB (bi-Specific Single Domain Antibody) platform; and (v) successful delivery of the ongoing projects.

Industrial Synthetic Biology Products

During the Reporting Period, revenue of industrial synthetic biology products increased by 50.0% to approximately US$10.8 million (the same period in 2018: US$7.2 million). The gross profit was approximately US$2.2 million, representing an increase of 120.0% as compared with approximately US$1.0 million for the same period in 2018. Gross profit margin increased from 13.9% for the same period last year to 20.4% this year.

The growth of the revenue was mainly attributable to (a) continuously strategy implementation of key accounts business development and making significant breakthroughs in both oversea and domestic feed enzymes market and grain processing business in China; providing customized service to strategic accounts in strain development, process development and new enzymes products development; (b) further optimizing the organization structure and improving business capability of commercial team significantly; (c) continuous optimization of new production facilities and all important vacancies being in place in the first half year of 2019, successfully passing the environmental protection inspection and acceptance in May 6, 2019 and obtaining production certificates for food enzymes; and (d) strong product development and optimization to meet customers' and market's needs by performance and competitiveness improvement on key products such as amylase, pullulanase and phytase.

Cell Therapy

During the Reporting Period, revenue of cell therapy decreased by 31.9% to approximately US$20.7 million (the same period in 2018: US$30.4 million). The gross profit was approximately US$20.7 million, representing a decrease of 31.9% as compared with approximately US$30.4 million for the same period in 2018. Gross profit margin maintained at 100.0% this year as well.

The revenue was mainly attributable to the collaboration with Janssen International. For details of the collaboration, please refer to our announcement dated December 22, 2017.

During the Reporting Period, the clinical trial of LCAR-B38M (JNJ-68284528) in the United States continued. EMA granted a PRIME designation to Janssen International for JNJ-68284528 in April 2019 mainly based on results from the LEGEND-2 study (NCT03090659) evaluating LCAR-B38M. PRIME scheme offers the designated companies enhanced interaction and early dialogue to optimize development plans and speed up the evaluation so that medicines can reach patients earlier.

In April 2019, new data from 17 patients studied at each of Shanghai Ruijin Hospital, Shanghai Changzheng Hospital, and Jiangsu Province People's Hospital involved in the Phase 1/2 LEGEND-2 open-label study was published in the Proceedings of the National Academy of Sciences of the United States of America. The data showed that treatment with the CAR-T therapy, LCAR-B38M, resulted in deep and durable responses, with a manageable and tolerable safety profile, in patients with advanced relapsed or refractory multiple myeloma.

By July 2019, the second and third milestones relating to the clinical trial in the U.S. have been achieved according to the terms and conditions of the collaboration and license agreement entered into among (i) Legend Biotech USA Inc., a non-wholly-owned subsidiary of the Company ("**Legend U.S.**"), (ii) Legend Biotech Ireland Limited, a non-wholly-owned subsidiary of the Company ("**Legend Ireland**") and (iii) Janssen Biotech, Inc. ("**Janssen**"). Legend U.S. and Legend Ireland are entitled to a milestone payment in the amount of US$25,000,000 and US$30,000,000 payable by Janssen for the second and third milestones, respectively. The Phase 2 trial in the U.S. is ongoing and actively enrolling patients.

FINANCIAL REVIEW

	Six months ended June 30,		
	2019	2018	Change
	(Unaudited)	(Unaudited)	
	US$'000	*US$'000*	
Revenue	**121,878**	112,221	8.6%
Gross profit	**78,899**	81,366	(3.1%)
Net (loss)/profit	**(33,335)**	17,646	(288.9%)
(Loss)/Profit attributable to the Shareholders	**(27,346)**	15,519	(276.2%)
Basic (loss)/earnings per share *(US$)*	**(0.0148)**	0.0089	(266.3%)
Diluted (loss)/earnings per share *(US$)*	**(0.0148)**	0.0085	(274.1%)

Revenue

During the Reporting Period, the Group recorded revenue of approximately US$121.9 million, representing an increase of 8.6% from approximately US$112.2 million for the same period of 2018. This is mainly attributable to (i) continuing stable increase from bio-science services and products from major strategy customers and new competitive services and products; (ii) the increase derived from biologics development business by setting up competitive team and capacity; and (iii) the increase in both the number of customers and their purchase volume of industrial synthetic biology products, primarily due to the upgraded products and the setting up of sales team.

Gross profit

During the Reporting Period, the Group's gross profit decreased by 3.1% to approximately US$78.9 million from approximately US$81.4 million for the same period of 2018. Gross profit margin varied from 72.5% for the same period last year to 64.7% this year. This is mainly attributable to (i) less gross profit contribution from cell therapy business according to the collaboration with Janssen International; and (ii) more investment in talents and capacity build up to expand our long term growth.

Selling and distribution expenses

The selling and distribution expenses increased by 63.2% to approximately US$31.0 million during the Reporting Period, compared with approximately US$19.0 million for the same period in 2018. This increase is mainly driven by (i) increased investment into the commercial talent pool by recruiting more experienced personnel and improved incentive packages to enable our services and products to be able to penetrate into the key markets and improve the business; (ii) participation in high-profile exhibitions and industry conferences, publishing articles in leading industry publications and journals to further enhance the brand awareness of our brands; and (iii) enhanced advertisements placed to improve the Group's brand image among the targeted audiences.

Administrative expenses

During the Reporting Period, the general and administrative expense increased by 39.1% to approximately US$26.7 million from approximately US$19.2 million for the same period in 2018. This is mainly attributable to (i) competitive compensation package including shared-based payment provided to recruit experienced talents for all business segments; (ii) the reinforcement of some key functions such as human resources, quality control, and finance to build up capable and professional administrative team to support the Group's overall business expansion; and (iii) the setup of European and Asia-Pacific Regional center to accelerate the Group's global market penetration strategy that resulted in increase in labor costs.

Research and development expenses

During the Reporting Period, the research and development expenses increased by 125.1% to approximately US$62.8 million from approximately US$27.9 million for the same period in 2018. This is mainly attributable to (i) our continuous investment in research and development activities to secure and maintain high-level research and development projects, and (ii) our participation in certain new challenging research and development projects, especially in cell therapy segment, which significantly strengthened our competitiveness in the market and improved our production efficiency.

Income tax expense/(credit)

During the Reporting Period, the income tax credit was approximately US$3.3 million in 2019 whilst the income tax expense was approximately US$2.0 million in 2018, mainly because of the recognition of deferred tax assets for tax losses.

Net profit/(loss)

During the Reporting Period, net loss of the Group was approximately US$33.3 million, whilst the net profit for the same period of 2018 was approximately US$17.6 million.

Significant investments held, material acquisitions and disposals

As at June 30, 2019, significant investments held by the Group are as follows:

	June 30, 2019 (Unaudited) *US$'000*	December 31, 2018 (Audited) *US$'000*
Financial assets at fair value through profit or loss		
– Current	**79,914**	70,056
– Non-current	**4,061**	3,405
Equity investments designated at fair value through other comprehensive income	**–**	4,949
Total	**83,975**	78,410

The current part of financial assets at fair value through profit or loss represent investments in wealth management products issued by banks in China and Hong Kong.

The wealth management products which we purchased during the Reporting Period, including the close-end funds, structured deposits, premium cash plus (pure floating rate notes) US dollar and supply chain finance fund capitalization, were with floating interests ranging from 2.51% to 7.00% per annum and with maturity dates between 1 day and 365 days. These products did not guarantee the return of principals upon maturity, and none of them was past due or impaired as of June 30, 2019, except those put options. As of June 30, 2019, the Group has redeemed those wealth management products whose due date were arrived and has no intention to dispose of all the investments in the long-term.

As part of our treasury management, we have purchased wealth management products as an auxiliary means to improve utilization of our cash on hand on a short-term basis. We have made such purchases only when (i) we have surplus funds after we have fully considered the cash requirement of our operations for the year and allocated accordingly, and (ii) our management has carefully assessed the risks and benefits and decided to make such purchases (including, among others, the availability of certain wealth management products which have high liquidity and generate interest income meeting our standards).

All investments shall be made in low-risk, liquid and sound wealth management products and low-risk trust products, such as capital preservation products, fixed-income products, trust products with agreed yield expectations and adequate safeguards, and trust products backed by highly liquid collaterals.

Any purchase and redemption of our investments in wealth management products shall be reviewed and approved by our vice president of finance.

During the Reporting Period, we only invested in wealth management products issued by major reputable banks in China and Hong Kong, and we preserved all our investment capital in these products and did not encounter any default by the issuing banks. We had not invested, and are prohibited, under our internal control policies, from directly investing, in any equity instrument, listed financial product or derivative financial instruments, and our investments had not been pledged to secure our borrowings during the period ended June 30, 2019.

Performance and prospects of the financial assets at fair value through profit or loss – liquidity fund

As at December 31, 2018, the Group invested US$25.0 million into a certain financial asset named liquidity fund, which was an open ended with limited liquidity Sub-Fund of Red Arc Global Investments (Ireland) ICAV ("**ICAV**"). The ICAV is an Irish collective asset-management vehicle with segregated liability between sub-funds incorporated in Ireland and constituted as an umbrella fund.

The liquidity fund's investment objective is to provide an investment return in the currency of each class of shares which exceeds the prevailing applicable benchmark rate (the "**Benchmark Rate**") while aiming to preserve capital. The liquidity fund to achieve its investment objective through the entry into one or more reverse repurchase agreements (each such agreement a "**GMRA**") with Citigroup Global Markets Limited ("**CGML**") and Citigroup Global Markets Inc. ("**CGMI**") and also through entry into one or more securities borrowing agreements (each such agreement a "**GMSLA**") with CGML.

Under the terms of the GMRAs and GMSLA, a cash amount was paid to CGML and/or CGMI in order to earn a return, accrued daily, equal to a spread applicable to each class of shares plus the applicable Benchmark Rate on cash paid. The applicable spread may be varied from time to time. The expected return on an investment in the liquidity fund may vary from time to time as a result of daily fluctuations in the applicable Benchmark Rate and periodic variations in the applicable spread. In order to mitigate the fund's potential exposure to a default by or the insolvency of ICAV, CGML and CGMI, all future payment obligations of the sub-fund counterparties under the GMRA or the GMSLA, was collateralised to a specified extent.

The credit risk exposed to the investors of liquidity fund was as follows:

– CGML: A+/Stable Outlook/A-1 (S&P) and A/Stable Outlook/F1 (Fitch)
– CGMI: A+/Stable Outlook/A-1 (S&P) and A+/Stable Outlook/F1 (Fitch)

For the Reporting Period, the Company recorded an investment income of US$275,000 for the investment in liquidity fund.

Information in relation to the non-current part of financial assets at fair value through profit or loss as at June 30, 2019 are set out as follows:

Name of investee company/fund	Principal business or investment scope	Nature of investment	Number of shares/units/ amount of investments held	Percentage of total share capital/units owned by the Group as at June 30, 2019	Investment Cost	Market value as at June 30, 2019	Percentage to the Group's total assets as at June 30, 2019	Realised gain on change in fair value for the period ended June 30, 2019	Unrealised gain/(loss) on change in fair value for the period ended June 30, 2019	Dividends received for the period ended June 30, 2019
				%	*US$'000*	*US$'000*	*%*	*US$'000*	*US$'000*	*US$'000*
Yuanming Prudence SPC – Healthcare Fund I Segregated Portfolio *(Note)*	Equity investment	investment in fund/securities	486.43	0.28	500	500	0.06	–	–	–
Panacea Venture Healthcare Fund I, L.P. *(Note)*	Equity investment	Investment in fund/securities	Not applicable	5.54	3,703	3,561	0.40	–	(219)	–

(Note) Given the value of investments is minimal, accounted for less than 1.0% of the total assets of the Group as of June 30, 2019, the Company has not prepared an analysis on their prospects.

Information in relation to the current part of financial assets at fair value through profit or loss as at June 30, 2019 are set out as follows:

	Banks	Product type/ description	Investment cost Original amount In RMB or US$	Investment cost In US$'000	Fair value as of June 30, 2019 In US$'000	Purchase date	Maturity date	Redemption date
1.	Bank of Ningbo	Variable interest financial product	RMB30,000,000	4,364	4,373	7/27/2018	7/27/2019	7/27/2019
2.	Bank of Ningbo	Close-end funds	RMB50,000,000	7,273	7,347	4/9/2019	7/8/2019	7/8/2019
3.	Bank of Ningbo	Close-end funds	RMB50,000,000	7,273	7,314	5/16/2019	8/16/2019	8/16/2019
4.	Bank of Ningbo	Structured deposits (pegged to interest rate)	RMB27,000,000	3,927	3,945	5/16/2019	7/15/2019	7/15/2019
5.	Ping An Bank	Structured deposits	RMB10,000,000	1,455	1,467	4/9/2019	7/9/2019	7/9/2019
6.	Citibank N.AHong Kong	HKDCNH Linked Structured Investment	RMB135,436,539	19,701	19,776	5/16/2019	7/17/2019	7/17/2019
7.	Citigroup Global Markets Limited	CNY Zero Coupon Certificate of Deposit	RMB73,643,083	10,712	10,753	5/29/2019	7/26/2019	7/26/2019
8.	Citigroup Global Markets Holdings Inc.	Term notes	US$5,000,000	5,000	5,000	10/15/2018	10/15/2021	On call
9.	Credit Suisse AG, Hong Kong Branch	Premium Cash Plus (Pure FRNs) USD	US$10,075,020	10,075	10,092	2/12/2019	N/A	On call
10.	Credit Suisse AG, Hong Kong Branch	Supply Chain Finance Fund Capitalisation	US$9,998,999	9,999	10,083	9/21/2018	N/A	On call
11.	Bank of Ningbo	Put options	–	–	(92)	2/22/2019	2/21/2020	–
12.	Bank of Ningbo	Put options	–	–	(75)	3/5/2019	3/5/2020	–
13.	Citibank N.A.	Put options	–	–	(69)	6/28/2019	10/18/2019	–
Total:				79,779	79,914			

For the Reporting Period, we recorded the investment loss on the financial assets at fair value through profit or loss of US$275,000 and a fair value loss at US$85,000.

Save as disclosed above, the Group did not hold any other significant investment as at June 30, 2019.

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, 2019, the Group did not have any material contingent liabilities or guarantees.

Current ratio and gearing ratio

As at June 30, 2019, the Group's current ratio (current assets to current liabilities) was approximately 3.6 (as at December 31, 2018: 4.4); and gearing ratio (total liabilities to total assets) was approximately 48.0% (as at December 31, 2018: 46.2%).

Bank loans

As at June 30, 2019, Nanjing Jinsirui Biotechnology Co., Ltd. ("**GS China**") borrowed short-term interest-bearing loans from Citi Bank for a total amount of RMB65,968,000 (equivalent to approximately US$9,596,000), which were secured by credit. GS China used such loans to purchase raw material and replenish working capital.

As at June 30, 2019, Genscript (Hong Kong) Limited ("**GS HK**") borrowed a short-term interest-bearing loan from Citi Bank for a total amount of US$7,000,000, which were secured by credit. GS HK used such a loan to purchase goods and replenish working capital.

As at June 30, 2019, Genscript Japan Inc. ("**GS JP**") borrowed a long-term interest-bearing loan from Citi Bank for a total amount of JYP280,000,000 (equivalent to approximately US$2,596,000), which were secured by the buildings and freehold land held by GS JP. GS JP used such a loan to purchase building.

Future plans for material investments or capital assets

The Group plans to (i) expand the capacity for bio-science services and products and build GMP qualified peptide production lines with a total investment amount of approximately US$77.1 million to meet the growing demand from our CRO clients; (ii) construct GMP qualified facilities for plasmid and virus manufacturing in Zhenjiang with a total investment amount of approximately US$81.5 million to meet our customers' demand from development to commercial stage in the field of gene and cell therapy; (iii) invest a GMP qualified facility for CAR-T commercial manufacturing in Zhenjiang with a total investment amount of approximately US$56.0 million to support the manufacturing of Legend's CAR-T products to be launched; and (iv) acquire or invest the leading edge technology and/or intellectual properties to further strengthen and integrate our current technology platforms so as to support the long term growth of the Group.

Save as disclosed above, there was no specific plan of material investments or capital assets as of June 30, 2019.

Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. Since January 2019, the Group has engaged into a series of forward contracts to manage the Group's currency risk.

Cash flow and fair value interest rate risk

Other than bank balances with variable interest rate and short-term deposits with fixed interest rates, the Group has financial products of approximately US$79.9 million related to fair value interest rate risk.

Credit risk

The carrying amounts of cash and cash equivalents, trade and notes receivables, other receivables and other current financial 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, 2019, GS JP borrowed a bank loan at JYP280,000,000 (equivalent to approximately US$2,596,000) from Citi Bank. The loan was secured by the buildings and freehold land held by GS JP.

As at June 30, 2019, bank balances of approximately US$184,000 was pledged by GS China for bills payable at approximately US$184,000.

Save as disclosed above, as of June 30, 2019, the Group did not have any other charges over its assets.

Working capital and financial resources

As at June 30, 2019, the cash and cash equivalents of the Group amounted to approximately US$283.6 million (as at December 31, 2018: US$494.6 million).

Capital expenditure

During the Reporting Period, the expenditure incurred in purchasing intangible assets, namely software, patents and license was approximately US$0.2 million, the expenditure incurred in purchasing property, plant and equipment and construction in process and freehold land was approximately US$52.1 million.

Employees and remuneration policies

As of June 30, 2019, the Group had a total of 2,993 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, salaries, employees' benefits, responsibility for breach of contractual obligations, and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies, and other employees' benefits, which are determined with reference to their experience, number of years with the Group, and other general factors.

During the Reporting Period, the Group's total expenses on the remuneration of employees was approximately US$68.6 million (excluding share-based payment of approximately US$5.4 million), representing 56.3% of the revenue of the Group. This significant increase in labor costs had been viewed by the Group as the necessary long term investment in our talents pool. This investment has demonstrated the Group's desires and resolutions to continue to strengthen its talent uplifting strategy. This talent uplifting strategy not only involves the recruitment of experienced professional and managerial personnel to fulfill the front line posts of research and development, commercial and production functions, but also systematically increases the overall salary and benefits packages to sustain the stability of the employees to drive for long term commitment and performance improvement as well.

On July 15, 2015, the Company adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**"). On December 7, 2015, the Company adopted a post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). On December 21, 2017, the Company approved and adopted the share option scheme of Legend (the "**Subsidiary Share Option Scheme**"). On March 22, 2019, the Company adopted the Restricted Share Award Scheme (the "**RSA Scheme**"). No further options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on the Stock Exchange.

During the Reporting Period, no share options were granted under the Post-IPO Share Option Scheme and the Subsidiary Share Option Scheme and no share awards were granted under the RSA Scheme.

The number of employees of the Group categorized by function as of June 30, 2019 is set forth as follows:

Function	**Number of employees**	**Percentage of Total**
Production	1,143	38.2%
Sales and marketing	364	12.2%
Administration	474	15.8%
Research and development	740	24.7%
Management	272	9.1%
Total	2,993	100.0%

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

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

IMPORTANT EVENTS

Save as disclosed in this announcement, there are no important events subsequent to June 30, 2019 which would materially affect the operating and financial performance of the Group as of the date of this announcement.

PROSPECTS

Within the Reporting Period, we achieved major milestones in all business segments, which includes but not limited to the following aspects:

- CRO business achieved 21% growth in sales revenue, and we maintained as the global No. 1 gene synthesis provider; production automation was smoothly implemented that will eventually increase our capacity, improve the quality and decrease the production costs; new business development in diagnostic oligo and GMP enabled peptide synthesis will lead to faster business growth.

- CDMO business has clearly defined its strategic directions to focus on GCT (Gene and Cell Therapy) CDMO and Biologics CDMO; the official launch of research and development laboratory and office building has attracted great attention from the biotech and biopharma industry that has been reflected in the sales order increase; our SMAB platform has demonstrated its cutting edges in discovery and development of novel construct of antibodys and biosimilar drugs; construction projects to increase our CMO capacities to meet the manufactory demands for clinical trials I/II/III and commercialization have been specifically planned and implemented to enable us to provide end-to-end CDMO services to our clients.

- The clinical trial process for BCMA CAR-T product has been moving smoothly in both U.S. and China, with the joint efforts from both Legend and Janssen; FDA (Food and Drug Administration)'s Orphan Drug Designation and EMA's PRIME Designation have been granted to the product of JNJ-68284528/LCAR-B38M, this will greatly enhance the interaction between Janssen and Legend with the US and EU administrative authorities and potentially speed up the drug evaluation process and its future commercial launch; the entitlement to total US$55 million of milestone payments has demonstrated our ability to meet the planned delivery target; the research and development of various new pipelines and its planned entrance into IND in the upcoming months will fuel up new growth for Legend.

- Industrial synthetic products segment delivered over 50% of revenue growth, along the new production facility played its designated role; our research and development capability continued to provide new and upgraded enzymes to meet the customers requirements.

In general, the Group will be concentrating on sound and solid implementation of the following key business strategies:

- Prioritize the investment in research and development projects to provide more effective and efficient solutions to satisfy customers' demands.

- Further strengthen the production capacity to capitalize on the demand for our services and products under our business portfolios.

- Continue our investment in the talent recruitment and enhance the professional and management training programs covering our research and development, commercial, production and administrative functions, so as to uplift the operational excellence and efficiency.

- Pursue strategic merger and acquisition to further integrate our current technology platforms with the more advanced technologies to fuel up our future business growth.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended June 30, 2019, 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 Rules Governing the Listing of Securities on the Stock Exchange ("**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, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

USE OF PROCEEDS FROM THE TOP-UP PLACING

On June 7, 2018, the Company, Genscript Corporation, one of the controlling shareholders of the Company (the "**Vendor**"), and J.P. Morgan Securities (Asia Pacific) Limited and Goldman Sachs (Asia) L.L.C. (the "**Placing Agents**") completed a placing of the Vendor's 75,000,000 ordinary shares in the Company by the Placing Agents on a fully underwritten basis to not less than six placees at the price of HK$26.50 per share (the "**Vendor Placing**") pursuant to a placing and subscription agreement dated June 5, 2018 (the "**Placing and Subscription Agreement**"). On June 13, 2018, the Vendor completed the subscription of an aggregate of 75,000,000 shares of the Company at the price of HK$26.50 per share pursuant to the Placing and Subscription Agreement (the "**Subscription**", together with the Vendor Placing, the "**Top-up Placing**"). The net proceeds, after deducting commissions, fees and expenses payable to the Placing Agents and other incidental expense, is HK$1,971,702,660.50 (equivalent to approximately US$251.3 million). Please refer to the announcements dated June 4, 2018, June 5, 2018, June 8, 2018, June 13, 2018 and June 14, 2018 for details of the Top-up Placing.

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

Item	**Unutilized amount as at January 1, 2019** *US$ million*	**Utilized amount during the Reporting Period** *US$ million*	**Unutilized amount as at June 30, 2019** *US$ million*	**Intended year of application**
Building up CAR-T R&D and production facility in China, the U.S. and Europe	100.7	34.8	65.9	2019 to 2020
Global team building for the Group's talent program and CAR-T therapies, including regulatory, R&D, production and commercialization	19.0	16.6	2.4	2019 to 2020
Building up the GMP manufacturing facilities for plasmid and biologics products	72.4	5.1	67.3	2019 to 2020
General working capital purpose	26.3	26.3	–	2019 to 2020
Total	218.4	82.8	135.6	

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, 2019, 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), Mr. Pan Jiuan and Mr. Guo Hongxin, all of whom are independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee has together with the management and external auditors reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Group's unaudited consolidated interim results for the six months ended June 30, 2019.

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 22 and July 5, 2019 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 has been appointed as the chairman of the board of Shandong Bestzyme Biotech Ltd.* (山東百斯杰生物科技有限公司) in August 2019.

Ms. Wang Ye has been appointed as the director of Shandong Bestzyme Biotech Ltd.* (山東百斯杰生物科技有限公司) in August 2019.

Mr. Dai Zumian has been appointed as vice president and chief finance officer of Shanghai 3Data Technology Co., Ltd. (上海三熙大資料技術有限公司) in April 2019.

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.

ACKNOWLEDGEMENT

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

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

Hong Kong, August 28, 2019

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. Pan Yuexin and Ms. Wang Jiafen; and the independent non-executive Directors are Mr. Guo Hongxin, Mr. Dai Zumian and Mr. Pan Jiuan.

* *For identification purposes only*