



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

2019
INTERIM
REPORT

**For identification purposes only*

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CORPORATE PROFILE

Genscript Biotech Corporation (the “**Company**” or “**GenScript**”, together with its subsidiaries, the “**Group**”) is a well-recognized biotech company. Deeply rooted in our proprietary gene synthesis technology and the advancement of research and application of our core technology and knowhows, 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 for the six months ended June 30, 2019 (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 services 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 has 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.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang Fangliang (*Chairman and Chief Executive Officer*)
Ms. Wang Ye (*President*)
Mr. Meng Jiange (*Vice President of Investor Relations*)

Non-Executive Directors

Dr. Wang Luquan
Mr. Pan Yuexin
Ms. Wang Jiafen

Independent Non-Executive Directors

Mr. Guo Hongxin
Mr. Dai Zumian
Mr. Pan Jiuan

AUDIT COMMITTEE

Mr. Dai Zumian (*Chairman*)
Mr. Pan Jiuan
Mr. Guo Hongxin

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Dr. Zhang Fangliang (*Chairman*)
Mr. Pan Jiuan
Mr. Dai Zumian

SANCTIONS RISK CONTROL COMMITTEE

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

COMPANY SECRETARY

Ms. Wong Wai Ling

AUTHORISED REPRESENTATIVES

Dr. Zhang Fangliang
Mr. Meng Jiange

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PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited
– Main Board

STOCK CODE

1548

STOCK NAME

GENSCRIPT BIO



FINANCIAL HIGHLIGHT

- 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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

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 service, (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

1. *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.

2. *Biologics development service*

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

3. *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.

4. *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.

MANAGEMENT DISCUSSION AND ANALYSIS

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,		Change
	2019 (Unaudited) US\$'000	2018 (Unaudited) 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 a 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 due 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 investment 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 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 GMRA 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	Market value as at June 30, 2019	Percentage to the Group's total assets as at June 30, 2019	Unrealised gain/(loss) on		Dividends received for the period ended 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	
Yuanming Prudence SPC – Healthcare Fund I Segregated Portfolio ^(Note)	Equity investment	Investment in fund/securities	486.43	0.28	500	0.06	–	–	–
Panacea Venture Healthcare Fund I, L.P. ^(Note)	Equity investment	Investment in fund/securities	Not applicable	5.54	3,703	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.



MANAGEMENT DISCUSSION AND ANALYSIS

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		Fair value as of June 30, 2019 In US\$'000	Purchase date	Maturity date	Redemption date
		Original amount In RMB or US\$	In US\$'000				
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.A. Hong 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 have any significant investments held, material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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) with a fixed interest rate at 4.0% per year, 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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, while the expenditure incurred in purchasing property, plant and equipment and construction in process and freehold land was approximately US\$52.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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", together with the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, the "Share Option Schemes"). 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 antibodies 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\$55.0 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



OTHER INFORMATION

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.

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

As at June 30, 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares, and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out as follows:

Long positions in the ordinary shares and underlying shares of the Company as at June 30, 2019

Name of Director	Capacity/Nature of interest	Number of Shares/ underlying Shares held/interested	Approximate Percentage of Shareholding* (%)
Zhang Fangliang	Interest in controlled corporation ^(Note 1) , parties acting in concert ^(Note 2) and founder of a discretionary trust ^(Note 7)	978,550,522	52.61
Wang Luquan	Interest in controlled corporation ^(Note 3) and parties acting in concert ^(Note 2)	978,550,522	52.61
Wang Ye	Interest in controlled corporation ^(Note 4) , parties acting in concert ^(Note 2) , beneficial owner ^(Note 5) and founder of a discretionary trust ^(Note 8)	978,550,522	52.61
Meng Jiange	Beneficial Owner ^(Note 6)	4,032,567	0.22
Pan Yuexin	Beneficial Owner ^(Note 9)	400,000	0.02
Guo Hongxin	Beneficial Owner ^(Note 10)	400,000	0.02
Dai Zumian	Beneficial Owner ^(Note 11)	400,000	0.02

* The percentage has been calculated based on 1,859,833,576 Shares in issue as at June 30, 2019.

Notes:

- (1) As of June 30, 2019, Zhang Fangliang held approximately 28.96% of the issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (2) On August 14, 2008, Zhang Fangliang, Wang Luquan, and Wang Ye entered into the GS Corp Shareholder Voting Agreement, whereby Zhang Fangliang, Wang Luquan, and Wang Ye agreed to vote unanimously in the shareholder meetings of GS Corp and, contemporaneously, proxies were conferred by Wang Luquan and Wang Ye to Zhang Fangliang authorising Zhang Fangliang to vote and exercise all voting and related rights with respect to the shares that each of Wang Luquan and Wang Ye beneficially owned in GS Corp, which held 880,366,235 Shares as of June 30, 2019. On May 29, 2015, Wu Yongmei signed a proxy agreement whereby she conferred all her voting and related rights in relation to all the shares that she owned in GS Corp, i.e. 108,625,000 shares of GS Corp to Zhang Fangliang.
- (3) As of June 30, 2019, Wang Luquan held approximately 23.19% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in, all the Shares held by GS Corp.
- (4) As of June 30, 2019, Wang Ye held approximately 6.15% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Ye was deemed, or taken to be interested in, all the Shares held by GS Corp.
- (5) Wang Ye held 98,184,287 underlying Shares under the options conditionally granted to her under the Pre-IPO Share Option Scheme.
- (6) Meng Jiange held 4,032,567 underlying Shares under the options conditionally granted to him under the Pre-IPO Share Option Scheme.
- (7) On October 12, 2017, Zhang Fangliang set up 2017 Fang Liang Zhang Trust (the **"Zhang Trust"**), an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. Zhang Fangliang transferred 5 million shares and 50 million shares of GS Corp to the Zhang Trust on October 17, 2017 and December 1, 2017, respectively. Zhang Trust transferred 881,500 shares of GS Corp to Zhang Fangliang on December 5, 2018. On the same day, Zhang Fangliang transferred 533,000 and 820,000 shares of GS Corp to Charity A and Charity B at nil consideration, respectively. The Zhang Trust (through its trustee), held approximately 11.85% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (8) On October 5, 2017, Wang Ye set up 2017 Wang Ye Family Trust (the **"Wang Trust"**), an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. Wang Ye transferred 2.5 million shares and 25 million shares of GS Corp to the Wang Trust on October 17, 2017 and December 1, 2017, respectively. Wang Trust transferred 354,600 shares of GS Corp to Wang Ye on December 5, 2018. The Wang Trust (through its trustee) held approximately 5.94% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (9) Pan Yuexin held 400,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (10) Guo Hongxin held 400,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (11) Dai Zumian held 400,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

OTHER INFORMATION

Save as disclosed above, as at June 30, 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that (i) was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise (ii) was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at June 30, 2019, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company as at June 30, 2019

Name	Capacity/Nature of interest	Number of Shares/underlying Shares held/interested	Approximate Percentage of Shareholding* (%)
GS Corp ^(Note 1)	Beneficial Owner	880,366,235	47.34
Jin Weihong ^(Note 2)	Interest in controlled corporation, parties acting in concert and trustee	978,550,522	52.61
Hu Zhiyong ^(Note 3)	Interest in controlled corporation, parties acting in concert and trustee	978,550,522	52.61

* The percentage has been calculated based on 1,859,833,576 Shares in issue as at June 30, 2019.

Notes:

- (1) As of June 30, 2019 GS Corp is a company incorporated in the State of Delaware in the United States and owned as to approximately 28.96%, approximately 11.95%, approximately 23.19%, approximately 10.73%, approximately 0.77%, approximately 11.04%, approximately 6.15%, approximately 5.99%, approximately 1.04% and approximately 0.18% by Zhang Fangliang, the Zhang Trust, Wang Luquan, Wu Yongmei, the Wu 2017 Trust (Note 4), the Wu 2018 Trust (Note 4), Wang Ye, the Wang Trust, Mu Yingjun and Charity B, respectively.
- (2) On October 12, 2017, Zhang Fangliang set up the Zhang Trust, an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. Zhang Fangliang transferred 5 million shares and 50 million shares of GS Corp to the Zhang Trust on October 17, 2017 and December 1, 2017, respectively. Zhang Trust transferred 881,500 shares of GS Corp to Zhang Fangliang on December 5, 2018, on the same day Zhang Fangliang transferred 533,000 and 820,000 shares of GS Corp to Charity A and Charity B at nil consideration, respectively. Jin Weihong, as the trustee of the Zhang Trust, held approximately 11.85% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (3) On October 5, 2017, Wang Ye set up the Wang Trust, an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. Wang Ye transferred 2.5 million shares and 25 million shares of GS Corp to the Wang Trust on October 17, 2017 and December 1, 2017, respectively. Wang Trust transferred 354,600 shares of GS Corp to Wang Ye on December 5, 2018. Hu Zhiyong, as the trustee of the Wang Trust, held approximately 5.94% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.

- (4) On December 17, 2017, Wu Yongmei set up 2017 Wu Yongmei Trust (the "**Wu 2017 Trust**"), an irrevocable family trust, with her two children and their respective living issue as beneficiaries. Wu Yongmei and her two children, are the trustees of the Wu 2017 Trust. On October 29, 2018, Wu Yongmei set up 2018 Wu Yongmei Trust (the "**Wu 2018 Trust**"), an irrevocable family trust, with her two children and their respective living issue as beneficiaries. Wu Yongmei is the trustee of the Wu 2018 Trust. On November 1, 2018, Wu Yongmei transferred 3.5 million shares of GS Corp to the Wu 2017 Trust and 50 million shares of GS Corp to the Wu 2018 Trust.

Save as disclosed above, as at June 30, 2019, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

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

A. Pre-IPO Share Option Scheme

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



OTHER INFORMATION

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

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Outstanding as at January 1, 2019	Number of share options				Outstanding as at June 30, 2019
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	
Directors of the Company										
Wang Ye	December 31, 2009	December 31, 2010 - December 31, 2019	December 31, 2010 - December 31, 2019	0.026	3,317,610	-	-	-	3,317,610	-
		December 31, 2011 - December 31, 2019								
		December 31, 2012 - December 31, 2019								
		December 31, 2013 - December 31, 2019								
		December 31, 2014 - December 31, 2019								
		December 31, 2012 - July 31, 2020	December 31, 2012 - July 31, 2020	0.103	34,008,093	-	-	-	3,840,000	30,168,093
	May 22, 2012	December 31, 2013 - July 31, 2020								
		December 31, 2014 - July 31, 2020								
		December 31, 2014 - July 31, 2020								
	March 20, 2014	December 31, 2014 - July 31, 2025	December 31, 2014 - July 31, 2025	0.062	68,016,194	-	-	-	-	68,016,194
		December 31, 2015 - July 31, 2025								
		December 31, 2016 - July 31, 2025								

OTHER INFORMATION

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Outstanding as at January 1, 2019	Number of share options				Outstanding as at June 30, 2019
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	
Meng Jiange	February 20, 2010	April 1, 2011 - December 31, 2020	April 1, 2011 - December 31, 2020	0.077	1,195,320	-	-	-	-	1,195,320
		April 1, 2012 - December 31, 2020								
		April 1, 2013 - December 31, 2020								
		April 1, 2014 - December 31, 2020								
		April 1, 2015 - December 31, 2020								
		May 1, 2016 - December 31, 2020	May 1, 2016 - December 31, 2020	0.103	1,943,320	-	-	-	1,049,393	893,927
		May 1, 2017 - December 31, 2020								
		May 1, 2018 - December 31, 2020								
		May 1, 2019 - December 31, 2020								
		May 1, 2020 - December 31, 2020								
		January 30, 2016 - July 31, 2025	January 30, 2016 - July 31, 2025	0.077	1,943,320	-	-	-	-	1,943,320
		January 30, 2017 - July 31, 2025								
		January 30, 2018 - July 31, 2025								
		January 30, 2019 - July 31, 2025								
		January 30, 2020 - July 31, 2025								



OTHER INFORMATION

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Outstanding as at January 1, 2019	Number of share options				Outstanding as at June 30, 2019
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	
Wang Luquan	February 10, 2012	February 10, 2013 - July 31, 2019	February 10, 2013 - July 31, 2019	0.103	3,216,640	-	-	-	3,216,640	-
		February 10, 2014 - July 31, 2019								
Senior management of the Company										
Zhu Li	January 27, 2010	March 1, 2011 - July 31, 2019	March 1, 2011 - July 31, 2019	0.077	754,656	-	-	-	550,000	204,656
		March 1, 2012 - July 31, 2019								
		March 1, 2013 - July 31, 2019								
		March 1, 2014 - July 31, 2019								
		March 1, 2015 - July 31, 2019								
		December 31, 2014 - December 31, 2020	December 31, 2014 - December 31, 2020	0.077	1,943,320	-	-	-	100,000	1,843,320
		December 31, 2015 - December 31, 2020								
		December 31, 2016 - December 31, 2020								
		December 31, 2017 - December 31, 2020								
		December 31, 2018 - December 31, 2020								

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Outstanding as at January 1, 2019	Number of share options					Outstanding as at June 30, 2019
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at June 30, 2019	
Chen Zhiqiang	August 10, 2009	August 10, 2009 - December 31, 2019	August 10, 2009 - December 31, 2019	0.003	1,232,259	-	-	-	560,000	672,259	
		December 31, 2014 - December 31, 2020	December 31, 2014 - December 31, 2020	0.077	831,320	-	-	-	-	831,320	
	Other employees	October 17, 2005 - March 28, 2015	December 31, 2015 - December 31, 2020	December 31, 2015 - December 31, 2020	-	-	-	-	-	-	-
			December 31, 2016 - December 31, 2020	December 31, 2016 - December 31, 2020	-	-	-	-	-	-	-
			December 31, 2017 - December 31, 2020	December 31, 2017 - December 31, 2020	-	-	-	-	-	-	-
			December 31, 2018 - December 31, 2020	December 31, 2018 - December 31, 2020	-	-	-	-	-	-	-
			June 12, 2007 - December 31, 2025	June 12, 2007 - December 31, 2025	0.003-0.103	65,997,142	-	-	-	11,117,356	54,879,786
			December 31, 2015 - December 31, 2025	December 31, 2015 - December 31, 2025	-	184,394,194	-	-	-	23,745,999	160,648,195

Notes:

- (1) The weighted average closing price immediately before the dates on which the options were exercised was HK\$17.44.
- (2) For further details of the Pre-IPO Share Option Scheme, please refer to Appendix V "Statutory and General Information" of the Prospectus and note 18 to the financial statements in this Interim Report.

OTHER INFORMATION

B. Post-IPO Share Option Scheme

The Company approved and adopted the Post-IPO Share Option Scheme by written resolutions of its then sole shareholder on December 7, 2015. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules. Options to subscribe for 81,858,137 shares had been granted (of which 4,312,500 options had lapsed) under the Post-IPO Share Option Scheme from the date of its adoption to June 30, 2019.

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

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (HK\$)	Closing Price Per Share immediately before the date of grant (HK\$)	Outstanding as at January 1, 2019	Number of share options					Outstanding as at June 30, 2019
							Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period		
Directors of the Group												
Pan Yuexin	November 29, 2018	November 29, 2018 - November 28, 2023	November 29, 2018 - November 28, 2023	14.04	14.32	400,000	-	-	-	-	-	400,000
Guo Hongxin	November 29, 2018	November 29, 2018 - November 28, 2023	November 29, 2018 - November 28, 2023	14.04	14.32	400,000	-	-	-	-	-	400,000
Dai Zumian	November 29, 2018	November 29, 2018 - November 28, 2023	November 29, 2018 - November 28, 2023	14.04	14.32	400,000	-	-	-	-	-	400,000
Senior management of the Group												
Zhu Li	October 11, 2017	December 31, 2019 - October 10, 2027	December 31, 2019 - October 10, 2027	8.330	8.07	800,000	-	-	-	-	-	800,000
Other employees												
	June 22, 2016	June 22, 2016 - June 21, 2026	June 22, 2016 - June 21, 2026	1.204	1.21	8,435,637	-	-	-	120,000	-	8,315,637
	September 23, 2016	September 23, 2017 - September 22, 2026	September 23, 2017 - September 22, 2026	2.406	2.30	11,445,000	-	-	-	260,000	-	11,185,000
	April 25, 2017	April 25, 2019 - April 24, 2027	April 25, 2019 - April 24, 2027	3.512	3.45	25,157,500	-	-	-	344,500	-	24,813,000
	October 11, 2017	July 25, 2019 - October 10, 2027	July 25, 2019 - October 10, 2027	8.330	8.07	10,375,000	-	-	-	-	-	10,375,000
	November 20, 2017	December 31, 2019 - November 19, 2027	December 31, 2019 - November 19, 2027	9.350	8.91	8,635,000	-	-	-	-	-	8,635,000
	May 4, 2018	January 1, 2019 to May 3, 2028	January 1, 2019 to May 3, 2028	26.46	26.65	9,600,000	-	-	200,000	-	-	9,400,000
	November 29, 2018	November 29, 2018 - November 28, 2028	November 29, 2018 - November 28, 2028	14.04	14.32	1,800,000	-	-	-	-	-	1,800,000
						77,448,137	-	-	200,000	724,500	-	76,523,637

Notes:

- (1) The weighted average closing price immediately before the dates on which the options were exercised was HK\$18.06.
- (2) For further details of the Post-IPO Share Option Scheme, please refer to Appendix V "Statutory and General Information" of the Prospectus and note 18 to the financial statements in this Interim Report.

C. Subsidiary Share Option Scheme

The Company approved and adopted the Subsidiary Share Option Scheme on December 21, 2017. The Subsidiary Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

No options were granted under the Subsidiary Share Option Scheme during the Reporting Period.

Set out below are details of the outstanding options under the Subsidiary Share Option Scheme:

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Shares (US\$)	Outstanding as at January 1, 2019	Granted during the Reporting Year	Number of share options			Outstanding as at June 30, 2019
							Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercise during the Reporting Year	
Senior management of the Group										
Other Employees	December 26, 2017	December 31, 2019 – December 25, 2027	December 31, 2019 – December 25, 2027	0.5	6,347,000	-	-	-	-	6,347,000
	August 30, 2018	August 30, 2019 – August 30, 2026	August 30, 2019 – August 29, 2028	1	7,288,000	-	-	-	-	7,288,000
Other Employees	December 31, 2018	December 31, 2019 – December 25, 2026	December 31, 2019 – December 30, 2027	1	696,000	-	-	-	-	696,000
					14,331,000	-	-	-	-	14,331,000

Apart from the movements as stated above, no options were granted, exercised, lapsed or cancelled under the Subsidiary Share Option Scheme during the Reporting Period ended June 30, 2019.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes", no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouses or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouses or children under 18 years of age, to acquire such rights in any other body corporate at any time during the Reporting Period.

RESTRICTED SHARE AWARD SCHEME

The Company adopted its Restricted Share Award Scheme (the "**RSA Scheme**") on March 22, 2019 to, among other things, recognize the contributions by any Director or employee of the Company or any of its subsidiaries selected by the Board in accordance with the terms of the RSA Scheme ("**Selected Participant**"). The Company appointed Computershare Hong Kong Trustees Limited as the trustee (the "**RSA Scheme Trustee**") for the administration of the RSA Scheme. Pursuant to the RSA Scheme, the shares that may be offered by the Company to any Selected Participant (the "**Restricted Shares**") will be satisfied by (i) existing shares to be acquired by the RSA Scheme Trustee on the market, and/or (ii) new shares to be allotted and issued to the RSA Scheme Trustee. The total number of the Restricted Shares underlying all grants made pursuant to the RSA Scheme shall not exceed ten (10)% of the issued share capital of the Company as at March 22, 2019.

As of June 30, 2019, no share has been awarded to any Selected Participant pursuant to the RSA Scheme.

For details, please refer to the Company's announcement dated March 22, 2019.

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 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	Utilized	Unutilized	Intended
	amount	amount	amount	
	as at	during the	as at	year of
	January 1,	Reporting	June 30,	application
	2019	Period	2019	
	US\$ million	US\$ million	US\$ million	
Building up CAR-T R&D and production facility in China, the US 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.



OTHER INFORMATION

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 report, 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.* (山東百斯傑生物科技有限公司) in August 2019.

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

After making specific enquiries by the Company and confirmed by the Directors, save as disclosed as above no other changes in the information of any Directors after the date of the Annual Report 2018 that are required to be disclosed pursuant to paragraphs (a) to (e) and paragraph (g) of Rule 13.51 (2) of the Listing Rules have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



INDEPENDENT REVIEW REPORT



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To the board of directors of Genscript Biotech Corporation

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 74, which comprises the condensed consolidated statement of financial position of Genscript Biotech Corporation (the “Company”) and its subsidiaries (the “Group”) as at June 30, 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

August 28, 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30

	Notes	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
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

For the six months ended June 30

Notes	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
(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:		
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

June 30, 2019

	Notes	June 30, 2019 US\$'000 (Unaudited)	December 31, 2018 US\$'000 (Audited)
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 payment		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 receivables 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
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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	June 30, 2019 US\$'000 (Unaudited)	December 31, 2018 US\$'000 (Audited)
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

Zhang Fangliang
Director

Wang Ye
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

	Attributable to owners of the parent											
	Share capital US\$' 000 (Note 17)	Treasury shares US\$' 000	Share premium* US\$' 000	Merger reserve* US\$' 000	Share option reserve* US\$' 000	Statutory surplus reserves* US\$' 000	Fair value reserve* US\$' 000	Retained earnings* US\$' 000	Exchange fluctuation reserve* US\$' 000	Total	Non-controlling interests US\$' 000	Total equity US\$' 000
At December 31, 2018(Audited)	1,836	-	364,100	(20,883)	18,955	14,359	(11)	112,554	(12,246)	478,664	14,635	493,299
Effect of adoption of HKFRS 16 (Note 2)	-	-	-	-	-	-	-	(112)	-	(112)	-	(112)
At January 1, 2019												
(Restated) (Unaudited)	1,836	-	364,100	(20,883)	18,955	14,359	(11)	112,442	(12,246)	478,552	14,635	493,187
Loss for the period	-	-	-	-	-	-	-	(27,346)	-	(27,346)	(5,989)	(33,335)
Other comprehensive loss for the period:												
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	61	-	-	61	-	61
Disposal of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(50)	50	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(878)	(878)	167	(711)
Total comprehensive loss for the period	-	-	-	-	-	-	11	(27,296)	(878)	(28,163)	(5,822)	(33,985)
Purchases of minority interests of the subsidiary	-	-	(2,011)	-	-	-	-	-	-	(2,011)	(3,996)	(6,007)
Acquisition of equity by minority shareholders	-	-	383	-	-	-	-	-	-	383	281	664
Equity-settled share option arrangements	-	-	-	-	5,375	-	-	-	-	5,375	-	5,375
Shares repurchased	-	(2,271)	-	-	-	-	-	-	-	(2,271)	-	(2,271)
Exercise of share options	24	-	2,904	-	(892)	-	-	-	-	2,036	-	2,036
At June 30, 2019 (Unaudited)	1,860	(2,271)	365,376	(20,883)	23,438	14,359	-	85,146	(13,124)	453,901	5,098	458,999

* These reserve accounts comprise the consolidated reserves of US\$454,312,000 (For the year ended December 31, 2018: US\$476,828,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

	Attributable to owners of the parent										
	Share capital US\$'000 (Note 17)	Share premium* US\$'000	Merger reserve* US\$'000	Share option reserve* US\$'000	Statutory surplus reserves* US\$'000	Fair value reserve* US\$'000	Retained earnings* US\$'000	Exchange fluctuation reserve* US\$'000	Total	Non-controlling interests US\$'000	Total equity US\$'000
At December 31, 2017	1,734	120,770	(20,883)	10,936	11,536	-	93,228	488	217,809	10,510	228,319
Effect of adoption of HKFRS 15	-	-	-	-	-	-	933	-	933	167	1,100
At January 1, 2018 (Restated)	1,734	120,770	(20,883)	10,936	11,536	-	94,161	488	218,742	10,677	229,419
Profit for the period	-	-	-	-	-	-	15,519	-	15,519	2,127	17,646
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(3,519)	(3,519)	(342)	(3,861)
Total comprehensive income for the period	-	-	-	-	-	-	15,519	(3,519)	12,000	1,785	13,785
Purchases of minority interests of the subsidiary	-	(297)	-	-	-	-	-	-	(297)	4,231	3,934
Acquisition of equity by minority shareholders	-	399	-	-	-	-	-	-	399	-	399
Equity-settled share option arrangements	-	-	-	3,571	-	-	-	-	3,571	-	3,571
Exercise of share options	25	2,551	-	(533)	-	-	-	-	2,043	-	2,043
Issue of shares under the share placing option	75	251,218	-	-	-	-	-	-	251,293	-	251,293
At June 30, 2018 (Unaudited)	1,834	374,641	(20,883)	13,974	11,536	-	109,680	(3,031)	487,751	16,693	504,444

* These reserve accounts comprise the consolidated reserves of US\$485,917,000 (For the year ended December 31, 2017: US\$217,008,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30

	Notes	2019 US\$' 000 (Unaudited)	2018 US\$' 000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(36,619)	19,600
Adjustments for reconcile profit before tax to net cash flows:			
Provision provided for impairment of trade receivables		559	340
Write-down of inventories to net realisable value		310	181
Depreciation of property, plant and equipment		7,305	4,847
Depreciation of investment properties		105	–
Depreciation of right-of use assets		643	–
Amortisation of other intangible assets		890	834
Amortisation of prepaid land lease payment		184	110
Loss on disposal of items of property, plant and equipment	9	88	11
Interest income	4	(5,391)	(3,060)
Investment income	4	–	(95)
Investment loss		275	–
Share of profits and losses of associates		139	26
Fair value loss on financial assets at fair value through profit or loss		85	–
Finance costs		387	14
Equity-settled share option expense		5,375	3,571
		(25,665)	26,379
Decrease in trade and notes receivables		17,908	220,682
Increase in prepayments and other receivables and other assets		(4,537)	(3,278)
Increase in inventories		(2,605)	(1,358)
Decrease in government grants		(54)	(275)
Increase in trade and bills payables		2,746	733
(Decrease)/increase in other payables, accruals and contract liabilities		(9,768)	117,317
Increase in time deposits		(141,061)	–
Decrease/(increase) in pledged short-term deposits		12,504	(4,713)
Cash (used in)/generated from operations		(150,532)	355,487
Interest received		9,402	1,399
Income tax paid		(12,057)	(862)
Net cash flows (used in)/from operating activities		(153,187)	356,024



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30

	Notes	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(53,838)	(54,971)
Proceeds from disposal of items of property, plant and equipment		1	–
Purchases of intangible assets		(170)	(457)
Purchase of investment in associate		(200)	(1,285)
Purchases of investments in a subsidiary		–	(25,454)
Redemption of equity investments designated at fair value through other comprehensive income		5,010	–
Purchases of financial assets at fair value through profit or loss		(771,717)	(82,417)
Maturity of financial assets at fair value through profit or loss		760,777	60,663
Receipt of government grants		–	1,653
Net cash flows used in investing activities		(60,137)	(102,268)
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchases of minority interest of the subsidiary		(6,007)	877
Acquisition of equity by minority shareholders		664	399
Issue of shares under the share placing option		–	251,293
Shares repurchased		(2,271)	–
Exercise of share options		2,036	2,043
New bank loans		19,378	605
Repayment of bank loans		(10,688)	–
Payment of interest of bank loans		(115)	(14)
Principal portion of lease payments		(631)	–
Net cash flows from financing activities		2,366	255,203
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(210,958)	508,959
Net foreign exchange difference		(21)	(209)
Cash and cash equivalents at beginning of period	12	494,558	123,857
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12	283,579	632,607
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		158,359	290,404
Non-pledged time deposits with original maturity of less than three months when acquired		125,220	342,203
Cash and cash equivalents as stated in the statement of financial position	12	283,579	632,607
Cash and cash equivalents as stated in the statement of cash flows		283,579	632,607

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

1. CORPORATE INFORMATION

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

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

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

Information about subsidiaries

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

Company	Place and date of incorporation/registration and place of business	Issued ordinary shares/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Genscript (Hong Kong) Limited (“GS HK”)	Hong Kong January 8, 2009	HK\$ 155,000	–	100	Sale of life sciences research products and services
Nanjing Jinsirui Biotechnology Co., Ltd. (“GS China”)	Mainland China March 12, 2009	US\$ 88,020,000	–	100	Manufacture and sale of life sciences research products and services
Genscript USA Incorporated (“GS USA”)	United States of America March 26, 2009	US\$ 1,000	100	–	Manufacture and sale of life sciences research products and services
Jinsikang Technology (Nanjing) Co., Ltd. (“Nanjing Jinsikang”)	Mainland China April 30, 2009	RMB 132,550,600	–	100	Manufacture and sale of life sciences research products and services
Genscript Japan Inc. (“GS JP”)	Japan July 7, 2011	JPY 8,300,000	–	100	Sale of life sciences research products and services
Nanjing Bestzyme Bioengineering Co., Ltd. (“Nanjing Bestzyme”)	Mainland China June 6, 2013	US\$ 30,960,507	–	92.59	Manufacture and sale of life sciences research products and services



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Company	Place and date of incorporation/registration and place of business	Issued ordinary shares/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Nanjing Legend Biotechnology Co., Ltd. ("Legend Nanjing")	Mainland China November 17, 2014	US\$ 22,500,000	-	84.84	Manufacture and sale of life sciences research products and services
Shanghai Jingrui Biotechnology Co., Ltd. ("Shanghai Jingrui")	Mainland China March 6, 2015	RMB 5,000,000	-	100	Manufacture and sale of life sciences research products and services
Jinan Bestzyme Biological Co., Ltd. ("Jinan Bestzyme")	Mainland China August 19, 2009	RMB 38,888,341	-	74.40	Manufacture and sale of life sciences research products and services
Jiangsu Genscript Biotech Co., Ltd ("Jiangsu Jinsirui")	Mainland China August 31, 2016	RMB 393,624,500	-	100	Manufacture and sale of life sciences research products and services
Legend Biotech USA Incorporated ("Legend USA")	United States of America August 31, 2017	-	-	84.84	Manufacture and sale of life sciences research products and services
Legend Biotech Ireland Limited. ("Legend Ireland")	Ireland November 30, 2017	-	-	84.84	Manufacture and sale of life sciences research products and services
GenScript Biotech (Netherlands) B.V. ("GS EU")	Netherlands December 6, 2017	-	-	100	Manufacture and sale of life sciences research products and services
CustomArray, Inc ("CustomArray")	United States of America January 1, 2018	US\$ 957,800	-	100	Manufacture and sale of life sciences research products and services
Anhui Pushen Biotechnology Co., Ltd. ("Pushen")	Mainland China July 31, 2018	RMB 5,294,200	-	62.22	Manufacture and sale of life sciences research products and services

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

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended June 30, 2019 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated 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 applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of January 1, 2019.

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

(a) Adoption of HKFRS 16

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

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

2.2 New standards, interpretations and amendments adopted by the group (continued)

(a) Adoption of HKFRS 16 (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

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

2.2 New standards, interpretations and amendments adopted by the group (continued)

(a) Adoption of HKFRS 16 (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before January 1, 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at January 1, 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend the lease;
- Relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before January 1, 2019 as an alternative to performing an impairment review;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

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

2.2 New standards, interpretations and amendments adopted by the group (continued)

(a) Adoption of HKFRS 16 (continued)

The impacts arising from the adoption of HKFRS 16 as at January 1, 2019 are as follows:

	Increase/ (decrease)
	US\$'000
	(Unaudited)
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 retained earnings	(112)

The lease liabilities as at January 1, 2019 reconciled to the operating lease commitments as at December 31, 2018 is as follows:

	US\$'000
	(Unaudited)
Operating lease commitments as at December 31, 2018	6,564
Weighted average incremental borrowing rates as at January 1, 2019	3.66%
Discounted operating lease commitments as at January 1, 2019	5,934
Lease liabilities as at January 1, 2019	5,934

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

2.2 New standards, interpretations and amendments adopted by the group (continued)

(a) Adoption of HKFRS 16 (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended December 31, 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from January 1, 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

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

2.2 New standards, interpretations and amendments adopted by the group (continued)

(a) Adoption of HKFRS 16 (continued)

Summary of new accounting policies (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'lease liabilities'), and the movement during the period are as follow:

	Right-of-use assets Buildings	Lease liabilities
	US\$'000	US\$'000
As at January 1, 2019	5,822	5,934
Additions	93	93
Depreciation charge	(643)	–
Interest expense	–	95
Payments	–	(631)
As at June 30, 2019	5,272	5,491

3. OPERATING SEGMENT INFORMATION

In light of the increase in size of the Group's biologics development services segment business, a new segment has been added from January 1, 2018 onwards, the segment information previously presented under "Bio-science services and products segment". Both in the internal management reports adopted by the chief operating decision-makers, and in the consolidated financial statements of the Group. The comparative figures have also been reclassified to conform to the new presentation. The above changes in segment information were taken to better reflect the current operations of the Group, as well as the resource allocation and future business developments of the Group.

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

- (a) The bio-science services and products segment provides comprehensive research services in five key categories, namely, gene synthesis and molecular cloning, oligonucleotide synthesis, protein production, peptide synthesis, and antibody development. These services and associated products are widely used and are fundamental to life sciences research and application, such as basic biology studies, disease and pharmaceutical research, drug discovery, agriculture, environmental studies, and the food industry. Under the life sciences research catalog products sub-segment, it provides pre-packaged, ready-to-use, and off-the-shelf products. Under the preclinical drug development services sub-segment, it provides integrated contract research services in the key category, namely, protein engineering;
- (b) The biologics development services segment provides comprehensive services in five key categories, namely, antibody drug discovery, antibody drug pre-clinical development, antibody drug clinical development, plasmid and virus pre-clinical development, and plasmid & virus clinical development. These services and associated products are aimed to help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies, and gene/cell therapy products with an integrated platform from the beginning of drug discovery stage down to pre-clinical development stage and clinical development stage;
- (c) The industrial synthetic biology products segment, comprising the construction of non-pathogenic microbial strains and industrial enzyme development and production;
- (d) The cell therapy was initially generated from the Company's proprietary antibody development platform. It discovers and develops the innovative therapies for the treatment of liquid tumor through optimised CAR structures and the development of bispecific CAR-T therapies.

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended June 30, 2019 (Unaudited)	Bio-science services and products US\$' 000	Biologics development services US\$' 000	Industrial synthetic biology products US\$' 000	Cell therapy US\$' 000	Total US\$' 000
Segment revenue (Note 4)					
External customers	81,143	9,300	10,756	20,679	121,878
Segment cost of sales					
External customers	28,282	6,200	8,497	–	42,979
Segment results	52,861	3,100	2,259	20,679	78,899
Other income and gains					8,594
Selling and distribution expenses					(30,961)
Administrative expenses					(26,725)
Research and development expenses					(62,836)
Other expenses					(3,064)
Finance costs					(387)
Share of losses of associates					(139)
Loss before tax					(36,619)

Six months ended June 30, 2018 (Unaudited)	Bio-science services and products US\$' 000	Biologics development services US\$' 000	Industrial synthetic biology products US\$' 000	Cell therapy US\$' 000	Total US\$' 000
Segment revenue					
External customers	67,333	7,300	7,171	30,417	112,221
Segment cost of sales					
External customers	20,926	3,699	6,169	61	30,855
Segment results	46,407	3,601	1,002	30,356	81,366
Other income and gains					4,386
Selling and distribution expenses					(18,990)
Administrative expenses					(19,185)
Research and development expenses					(27,868)
Other expenses					(69)
Finance costs					(14)
Share of losses of associates					(26)
Profit before tax					19,600

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

3. OPERATING SEGMENT INFORMATION (continued)

Geographic information

(a) Revenue from external customers

	For the six months ended June 30	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
United States of America	72,411	69,206
Europe	13,015	11,125
China	25,286	21,443
Asia Pacific (excluding China and Japan)	7,093	6,524
Japan	2,256	2,184
Others (including other North American countries, South America and Africa)	1,817	1,739
Total	121,878	112,221

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

Information about major customers

Revenue of approximately US\$20,639,000 (June 30, 2018:US\$30,417,000) was derived from sales by the cell therapy segment to a single customer.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended June 30,	
	2019 US\$' 000 (Unaudited)	2018 US\$' 000 (Unaudited)
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

Disaggregated revenue information for revenue from contracts with customers

For the six months ended June 30, 2019

Segment	Bio-science services and products US\$' 000	Biologics development services US\$' 000	Industrial synthetic biology products US\$' 000	Cell therapy US\$' 000	Total US\$' 000
Type of goods or services					
Rendering of services	74,253	9,300	–	–	83,553
Sale of goods	6,890	–	10,756	–	17,646
License and collaboration revenue	–	–	–	20,679	20,679
Total revenue from contracts with customers	81,143	9,300	10,756	20,679	121,878
Timing of revenue recognition					
Goods transferred at a point in time	6,890	–	10,756	–	17,646
Services transferred at a point in time	74,253	–	–	–	74,253
Services transferred over time	–	9,300	–	20,679	29,979
Total revenue from contracts with customers	81,143	9,300	10,756	20,679	121,878

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

4. REVENUE, OTHER INCOME AND GAINS (continued)

Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended June 30, 2018

Segment	Bio-science services and products US\$' 000	Biologics development services US\$' 000	Industrial synthetic biology products US\$' 000	Cell therapy US\$' 000	Total US\$' 000
Type of goods or services					
Rendering of services	62,707	7,300	–	–	70,007
Sale of goods	4,626	–	7,171	–	11,797
License and collaboration revenue	–	–	–	30,417	30,417
Total revenue from contracts with customers	67,333	7,300	7,171	30,417	112,221
Timing of revenue recognition					
Goods transferred at a point in time	4,626	–	7,171	–	11,797
Services transferred at a point in time	62,707	–	–	–	62,707
Services transferred over time	–	7,300	–	30,417	37,717
Total revenue from contracts with customers	67,333	7,300	7,171	30,417	112,221

	For the six months ended June 30,	
	2019 US\$' 000 (Unaudited)	2018 US\$' 000 (Unaudited)
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



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2019 US\$' 000 (Unaudited)	2018 US\$' 000 (Unaudited)
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 properties	105	–
Amortisation of other intangible assets	890	834
Amortisation 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):		
Wages 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 expense)	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 realisable value	310	181

6. INCOME TAX

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

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

The subsidiary of the Group operating in Japan was subject to income tax at a rate ranging from 22% to 31.5% depending on its earnings during the reporting period.

The subsidiary of the Group operating in the Netherlands was subject to income tax at the rate of 25% on the estimated assessable profits arising in the Netherlands during the year.

The subsidiary of the Group operating in Ireland was subject to income tax at the rate of 12.5% on the estimated assessable profits arising in Ireland during the reporting period.

The subsidiaries of the Group operating in the United States of America were subject to federal tax at a rate of 21% and state tax at a rate of 9% in New Jersey and 0% in the State of Washington during the reporting period.

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

GS China, and Jiangsu Jinsirui are qualified as Advanced Technology Service Enterprises. Both of them were subject to income tax at a preferential tax rate of 15% for the reporting period. Nanjing Bestzyme and Jinan Bestzyme are qualified as High and New Technology Enterprises. Both of them were subject to income tax at a preferential tax rate of 15% for the reporting period.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

7. DIVIDENDS

	For the six months ended June 30,	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
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 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 1,845,794,313 (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 calculations of basic and diluted earnings per share are based on:

	For the six months ended June 30,	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	(27,346)	15,519

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

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

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the period	1,845,915,562	1,749,774,884
Effect of shares repurchased	(121,249)	-
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/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

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).

Assets with a net book value US\$4,185,000 were pledged as security for interest-bearing bank loans as set out in Note 15 to the interim condensed consolidated financial statements.

See Note 20 for capital commitments.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2019 US\$' 000 (Unaudited)	December 31, 2018 US\$' 000 (Audited)
Financial assets at fair value through profit or loss		
Unlisted equity investments, at fair value	4,061	3,405
Investment in financial products, at fair value	79,914	70,056
	83,975	73,461

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 US\$' 000 (Unaudited)	December 31, 2018 US\$' 000 (Audited)
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 US\$' 000 (Unaudited)	December 31, 2018 US\$' 000 (Audited)
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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	June 30, 2019	December 31, 2018
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Cash and bank balances	283,579	494,558
Time deposits	141,061	-
Pledged short-term deposits	184	12,688
	424,824	507,246
Less: Pledged short term deposits for short-term bank loans	-	(11,004)
Pledged short term deposits for bills payable	(184)	(1,684)
Time deposits	(141,061)	-
Cash and cash equivalents	283,579	494,558
Denominated in USD	95,475	474,372
Denominated in HKD	33,880	1,962
Denominated in RMB	142,954	13,795
Denominated in CHF	788	265
Denominated in EUR	5,650	1,729
Denominated in GBP	1,648	1,023
Denominated in JPY	3,184	1,412
Cash and cash equivalents	283,579	494,558

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US\$142,954,000 (December 31, 2018: US\$13,795,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

13. TRADE AND BILLS PAYABLES

	June 30, 2019	December 31, 2018
	US\$' 000	US\$' 000
	(Unaudited)	(Audited)
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	December 31, 2018
	US\$' 000	US\$' 000
	(Unaudited)	(Audited)
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 days terms.

14. OTHER PAYABLES AND ACCRUALS

	June 30, 2019	December 31, 2018
	US\$' 000	US\$' 000
	(Unaudited)	(Audited)
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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

15. INTEREST-BEARING BANK LOANS

	June 30, 2019	December 31, 2018
	US\$' 000	US\$' 000
	(Unaudited)	(Audited)
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	–

The bank loans bear interest at rates ranging from 0.32% to 4.00%.

* As at June 30, 2019, certain of the Group's bank loans is secured by the pledge of certain of the Group's property, plant and equipment (Note 9) amounting to US\$4,185,000 and the Group's investment properties amounting to US\$7,587,000 (2018: the pledge of the Group's time deposits (Note 12) amounting to US\$11,004,000).

16. CONTRACT LIABILITIES

Details of contract liabilities as at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
	US\$' 000	US\$' 000
	(Unaudited)	(Audited)
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.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

17. SHARE CAPITAL AND SHARE PREMIUM

Shares

	June 30, 2019	December 31, 2018
	US\$' 000	US\$' 000
	(Unaudited)	(Audited)
Authorised:		
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 interests 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

18. SHARE OPTION SCHEME

a) The Company

The following share options were outstanding during the period:

	For the six months ended June 30,			
	2019		2018	
	Weighted average exercise price US\$ per share	Number of options ' 000	Weighted average exercise price US\$ per share	Number of options ' 000
At January 1,	0.3444	261,842	0.1996	286,119
Granted during the period	–	–	3.3710	13,950
Forfeited during the period	3.3710	(200)	0.3779	(745)
Exercised during the period	0.0842	(24,470)	0.0827	(25,000)
At June 30	0.3695	237,172	0.3707	274,324

18. SHARE OPTION SCHEME (continued)

a) The Company (continued)

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

June 30, 2019			
Number of options exercisable	Exercise price*	Exercise period	
'000	US\$ per share		
672	0.0026	2008/05/12~2019/12/31	
13	0.0072	2008/09/26~2019/07/31	
30	0.0139	2012/11/08~2019/07/31	
194	0.0515	2013/08/10~2025/07/31	
64,176	0.0617	2014/12/31~2025/07/31	
55,946	0.0772	2010/12/31~2025/07/31	
36,322	0.1029	2013/02/10~2025/12/31	
933	0.1552	2016/06/22~2026/06/21	
2,710	0.3102	2017/09/23~2026/09/22	
1,363	0.4514	2019/04/25~2027/04/24	
240	1.7948	2018/11/29~2028/11/28	
429	3.3710	2019/01/01~2028/03/05	
163,028			
June 30, 2018			
Number of options exercisable	Exercise price*	Exercise period	
'000	US\$ per share		
1,232	0.0026	2008/05/12~2019/12/31	
86	0.0046	2009/07/03~2019/07/31	
121	0.0072	2008/09/26~2019/07/31	
757	0.0103	2011/12/31~2018/01/15	
145	0.0139	2012/08/01~2019/07/31	
404	0.0154	2013/12/31~2019/12/20	
373	0.0206	2012/12/31~2018/10/08	
2,556	0.0257	2012/12/31~2019/12/31	
194	0.0515	2013/08/10~2025/07/31	
68,016	0.0617	2014/12/31~2025/07/31	
54,766	0.0772	2010/12/31~2025/07/31	
42,122	0.1029	2013/02/10~2025/07/31	
117	0.1552	2016/06/22~2026/06/21	
320	0.3102	2017/09/23~2026/09/22	
171,209			

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



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

18. SHARE OPTION SCHEME (continued)

a) The Company (continued)

No share options were granted during the period (2018:US\$19,491,770, US\$1.397 each). The Group recognized a share option expense of US\$4,772,000 (2018: US\$3,373,000) during the six months ended June 30, 2019.

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

	June 30, 2019	June 30, 2018
Dividend yield (%)	N/A	–
Expected volatility (%)	N/A	33
Risk-free interest rate (%)	N/A	2.14
Expected life of options (year)	N/A	10
Weighted average share price (HK\$ per share)	N/A	26.46

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

At the end of reporting period, the Company had 237,171,832 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 237,171,832 additional ordinary shares of the Company, an additional share capital of approximately US\$237,172 and a share premium of approximately US\$87,397,820 (before issue expenses).

18. SHARE OPTION SCHEME (continued)

b) The Legend

The following share options were outstanding during the period:

	For the six months ended June 30,			
	2019		2018	
	Weighted average exercise price US\$ per share	Number of options '000	Weighted average exercise price US\$ per share	Number of options '000
At January 1,	0.7786	14,331	-	-
Granted during the period	-	-	0.500	8,100
Forfeited during the period	-	-	0.500	(1,500)
Exercised during the period	-	-	-	-
At June 30	0.7786	14,331	0.500	6,600

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

June 30, 2019 Number of options exercisable '000	Exercise price* US\$ per share	Exercise period
100	1.0000	2019/01/01~2028/8/29
100		

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

No share options were granted during the period (2018:US\$1,686,420, US\$0.208 each). The Legend recognized a share option expense of US\$778,000 (2018: US\$198,000) during the six months ended June 30, 2019.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

18. SHARE OPTION SCHEME (continued)

b) The Legend (continued)

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

	June 30, 2019	June 30, 2018
Dividend yield (%)	N/A	–
Expected volatility (%)	N/A	66.2
Risk-free interest rate (%)	N/A	2.48
Expected life of options (year)	N/A	10
Weighted average share price (US\$ per share)	N/A	0.500

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

At the end of reporting period, the Legend had 14,331,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 14,331,000 additional ordinary shares of the Legend, an additional share capital of approximately US\$14,331 and a share premium of approximately US\$11,143,786 (before issue expenses).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

19. OPERATING LEASE COMMITMENTS

The Group leases certain of its production and office properties under operating lease arrangements. Leases for properties are negotiated for terms of one to seven years. At June 30, 2019 and December 31, 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	June 30, 2019 US\$' 000 (Unaudited)	December 31, 2018 US\$' 000 (Audited)
Within one year	1,746	2,329
In the second to fifth years, inclusive	4,716	5,446
After five years	740	830
	7,202	8,605

20. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in Note 19 above, the Group had the following capital commitments at the end of the reporting period:

	June 30, 2019 US\$' 000 (Unaudited)	December 31, 2018 US\$' 000 (Audited)
Contracted, but not provided for:		
Plant and machinery	25,347	29,909



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

21. RELATED PARTY TRANSACTIONS

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

Company	Relationship
Hunan Gomeet Biotechnology Co., Ltd. ("Gomeet")	Associate
Fengyang Nanjing Biotechnology Co., Ltd. ("Fengyang Nanjing")	Associate
Maple Bio HK Limited ("Maple HK")	Associate
Maple Bio ("Maple Bio")	Associate
Penathera Incorporated	Associate

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

		For the six months ended June 30,	
	Note	2019	2018
		US\$'000	US\$'000
		(Unaudited)	(Unaudited)
Sales of products to Gomeet	(i)	204	46
Sales of products and service to Fengyang Nanjing	(i)	9	-

Notes:

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

21. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

The Group had the following significant balance with its related party during the reporting period:

(i) *Due from related parties*

	June 30, 2019 US\$' 000 (Unaudited)	December 31, 2018 US\$' 000 (Audited)
Fengyang Nanjing	1,782	758
Maple HK	1	1
Gomeet	94	146
Maple Bio	89	89
	1,966	994

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

	For the six months ended June 30,	
	2019 US\$' 000 (Unaudited)	2018 US\$' 000 (Unaudited)
Short-term employee benefits	825	783
Pension scheme contributions	16	45
Equity-settled share option expense	340	118
Total compensation paid to key management personnel	1,181	946



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying Amount		Fair Values	
	June 30, 2019 US\$' 000 (Unaudited)	December 31, 2018 US\$' 000 (Audited)	June 30, 2019 US\$' 000 (Unaudited)	December 31, 2018 US\$' 000 (Audited)
Financial Assets				
Equity investments designated at fair value through other comprehensive income	–	4,949	–	4,949
Trade receivables	49,376	67,843	49,376	67,843
Financial assets included in prepayments, other receivables and other assets	5,203	7,882	5,203	7,882
Financial assets at fair value through profit or loss	83,975	73,461	83,975	73,461
Pledged short-term deposits	184	12,688	184	12,688
Time deposits	141,061	–	141,061	–
Cash and cash equivalents	283,579	494,558	283,579	494,558
	563,378	661,381	563,378	661,381

	Carrying Amount		Fair Values	
	June 30, 2019 US\$' 000 (Unaudited)	December 31, 2018 US\$' 000 (Audited)	June 30, 2019 US\$' 000 (Unaudited)	December 31, 2018 US\$' 000 (Audited)
Financial liabilities				
Trade and bills payables	13,933	11,187	13,933	11,187
Financial liabilities included in other payables and accruals (Note 14)	10,251	2,366	10,251	2,366
Interest-bearing bank loans	19,192	10,502	19,192	10,502
	43,376	24,055	43,376	24,055

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of cash and cash equivalents, time deposits, pledged short-term deposits, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit or loss, trade receivables, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank loans approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the chief finance officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief finance officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief finance officer. The valuation process and results are discussed with the directors once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

The fair values of the financial assets at fair value through profit or loss have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value:

As at June 30, 2019 (Unaudited)

	Fair value measurement using			Total US\$' 000
	Quoted prices in active markets (Level 1) US\$' 000	Significant observable inputs (Level 2) US\$' 000	Significant unobservable inputs (Level 3) US\$' 000	
Financial assets at fair value through profit or loss:	-	83,975	-	83,975
	-	83,975	-	83,975

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2019

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows: (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at December 31, 2018 (Audited)

	Fair value measurement using			Total US\$' 000
	Quoted prices in active markets (Level 1) US\$' 000	Significant observable inputs (Level 2) US\$' 000	Significant unobservable inputs (Level 3) US\$' 000	
Equity investments designated at fair value through other comprehensive income	-	4,949	-	4,949
Financial assets at fair value through profit or loss:	-	73,461	-	73,461
	-	78,410	-	78,410

23. EVENTS AFTER THE REPORTING PERIOD

By July 2019, the second and third milestones relating to the clinical trial in the US have been achieved according to the terms and conditions of the collaboration and license agreement (the "Agreement") entered into among Legend USA., Legend Ireland and Janssen Biotech, Inc. ("Janssen"). Legend (Legend USA together with Legend Ireland) is 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.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized by the board of directors on August 28, 2019.