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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

ANNUAL RESULTS HIGHLIGHTS

- For the year ended December 31, 2019, the revenue of the Group was approximately US$273.4 million, representing an increase of 18.4% as compared with approximately US$231.0 million for the year ended December 31, 2018.

- For the year ended December 31, 2019, the gross profit increased by 13.8% from approximately US$158.5 million in 2018 to approximately US$180.3 million.

- Loss of the Group for the year ended December 31, 2019 was approximately US$117.5 million, whilst profit was approximately US$20.8 million for the year ended December 31, 2018. The adjusted net loss (excluding share based payment expenses) was approximately US$107.1 million for the year ended December 31, 2019, whilst the adjusted net profit was approximately US$29.6 million for the year ended December 31, 2018. During the Reporting Period, the Group invested significantly into research and development and the talent pools, both of which are key drivers for a sustainable business growth in the long run. For the year ended December 31, 2019, the Group's research and development expense was approximately US$186.0 million, representing an increase of 151.0% as compared with approximately US$74.1 million for the year ended December 31, 2018, in which the research and development expense in connection with the cell therapy segment was approximately US$157.0 million for the year ended December 31, 2019.

- For the year ended December 31, 2019, loss attributable to owners of the Company was approximately US$96.9 million, whilst profit attributable to owners of the Company was approximately US$21.2 million for the year ended December 31, 2018. The adjusted net loss attributable to owners of the Company (excluding share based payment expenses) was approximately US$86.7 million, whilst the adjusted net profit attributable to owners of the Company of approximately US$30.1 million for the year ended December 31, 2018.

The board of directors (the "**Directors**") (the "**Board**") of Genscript Biotech Corporation (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2019 (the "**Reporting Period**" or the "**Year**"), together with the comparative figures for the year 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended December 31,	
		2019	2018
	Notes	***US$'000***	*US$'000*
REVENUE	*4*	**273,354**	231,017
Cost of sales		**(93,064)**	(72,478)
Gross profit		**180,290**	158,539
Other income and gains	*4*	**21,185**	18,941
Selling and distribution expenses		**(70,358)**	(38,771)
Administrative expenses		**(55,256)**	(40,582)
Impairment losses on financial and contract assets, net		**(1,851)**	(977)
Research and development expenses		**(186,022)**	(74,076)
Other expenses		**(589)**	(121)
Finance costs	*6*	**(781)**	(52)
Share of losses of associates	*15*	**(308)**	(201)
(LOSS)/PROFIT BEFORE TAX	*5*	**(113,690)**	22,700
Income tax expense	*7*	**(3,826)**	(1,941)
(LOSS)/PROFIT FOR THE YEAR		**(117,516)**	20,759
Attributable to:			
Owners of the parent		**(96,912)**	21,216
Non-controlling interests		**(20,604)**	(457)
		(117,516)	20,759
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**(US5.23 cents)**	US1.18 cents
Diluted		**(US5.23 cents)**	US1.15 cents

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
(LOSS)/PROFIT FOR THE YEAR	**(117,516)**	20,759
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	**(4,703)**	(13,498)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(4,703)**	(13,498)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income/(loss):		
Changes in fair value	**61**	(11)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**61**	(11)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(4,642)**	(13,509)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(122,158)**	7,250
Attributable to:		
Owners of the parent	**(101,394)**	8,471
Non-controlling interests	**(20,764)**	(1,221)
	(122,158)	7,250

CONSOLIDATED BALANCE SHEET

	Notes	Year ended December 31, 2019 US$'000	2018 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**235,986**	158,013
Advance payments for property, plant and equipment		**8,585**	4,037
Investment properties	*11*	**7,442**	–
Right-of-use asset	*12*	**29,642**	–
Prepaid land lease payments	*12*	**–**	17,414
Goodwill	*13*	**15,245**	15,287
Other intangible assets	*14*	**25,482**	19,642
Investment in associates	*15*	**2,615**	2,924
Financial assets at fair value through profit or loss	*16*	**4,667**	3,405
Equity investments designated at fair value through other comprehensive income	*17*	**–**	4,949
Deferred tax assets	*27*	**5,701**	11,842
Total non-current assets		**335,365**	237,513
CURRENT ASSETS			
Inventories	*18*	**19,855**	12,429
Trade and notes receivables	*19*	**73,067**	67,843
Prepayments, other receivables and other assets	*20*	**31,621**	21,889
Financial assets at fair value through profit or loss	*16*	**25,434**	70,056
Loans to an associate	*15*	**2,007**	–
Pledged short-term deposits	*21*	**972**	12,688
Time deposits	*21*	**148,693**	–
Cash and cash equivalents	*21*	**252,397**	494,558
Total current assets		**554,046**	679,463

	Notes	Year ended December 31, 2019 US$'000	2018 US$'000
CURRENT LIABILITIES			
Trade and bills payables	22	**17,627**	11,187
Other payables and accruals	23	**138,871**	73,944
Interest-bearing bank borrowings	24	**17,008**	10,502
Lease liabilities	12	**1,769**	–
Tax payable		**2,846**	16,766
Contract liabilities	25	**46,294**	41,018
Government grants	26	**90**	98
Total current liabilities		**224,505**	153,515
NET CURRENT ASSETS		**329,541**	525,948
TOTAL ASSETS LESS CURRENT LIABILITIES		**664,906**	763,461
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	24	**1,748**	–
Lease liabilities	12	**3,608**	–
Contract liabilities	25	**277,827**	262,127
Deferred tax liabilities	27	**5,582**	4,017
Government grants	26	**3,843**	4,018
Total non-current liabilities		**292,608**	270,162
NET ASSETS		**372,298**	493,299
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**1,879**	1,836
Treasury shares	28	**(7,774)**	–
Reserves		**388,699**	476,828
		382,804	478,664
Non-controlling interests		**(10,506)**	14,635
TOTAL EQUITY		**372,298**	493,299

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2019

	Attributable to owners of the parent											
	Share capital *US$'000*	Treasury shares *US$'000*	Share premium* *US$'000*	Merger reserve* *US$'000*	Share option reserve* *US$'000*	Statutory surplus reserve* *US$'000*	Fair value reserve of financial assets at fair value through other comprehensive income* *US$'000*	Retained earnings* *US$'000*	Exchange fluctuation reserve* *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total equity *US$'000*
At January 1, 2019	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)	1,836	–	364,100	(20,883)	18,955	14,359	(11)	112,442	(12,246)	478,552	14,635	493,187
Loss for the year	–	–	–	–	–	–	–	(96,912)	–	(96,912)	(20,604)	(117,516)
Other comprehensive income 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	–	–	–	–	–	–	–	–	(4,543)	(4,543)	(160)	(4,703)
Total comprehensive loss for the year	–	–	–	–	–	–	11	(96,862)	(4,543)	(101,394)	(20,764)	(122,158)
Purchases of minority interests of the subsidiary	–	–	(1,588)	–	–	–	–	–	–	(1,588)	(4,377)	(5,965)
Acquisition of equity by minority shareholders	–	–	383	–	–	–	–	–	–	383	–	383
Equity-settled share option arrangements	–	–	–	–	10,782	–	–	–	–	10,782	–	10,782
Shares repurchased	–	(7,774)	–	–	–	–	–	–	–	(7,774)	–	(7,774)
Exercise of share options	43	–	5,886	–	(2,086)	–	–	–	–	3,843	–	3,843
At December 31, 2019	1,879	(7,774)	368,781	(20,883)	27,651	14,359	–	15,580	(16,789)	382,804	(10,506)	372,298

* These reserve accounts comprise the consolidated reserves of US$388,699,000 (For the year ended December 31, 2018: US$476,828,000) in the consolidated statement of financial position.

Year ended December 31, 2018

	Attributable to owners of the parent										
	Share capital *US$'000*	Share premium* *US$'000*	Merger reserve* *US$'000*	Share option reserve* *US$'000*	Fair value reserve of financial assets at fair value through other comprehensive income* *US$'000*	Statutory surplus reserve* *US$'000*	Retained earnings* *US$'000*	Exchange fluctuation reserve* *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total equity *US$'000*
At January 1, 2018	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 year	–	–	–	–	–	–	21,216	–	21,216	(457)	20,759
Other comprehensive income for the period:											
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	(11)	–	–	–	(11)	–	(11)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(12,734)	(12,734)	(764)	(13,498)
Total comprehensive income for the year	–	–	–	–	(11)	–	21,216	(12,734)	8,471	(1,221)	7,250
Purchases of minority interests of the subsidiary	–	(297)	–	–	–	–	–	–	(297)	4,221	3,924
Acquisition of equity by minority shareholders	–	399	–	–	–	–	–	–	399	–	399
Equity-settled share option arrangements	–	–	–	8,852	–	–	–	–	8,852	–	8,852
Exercise of share options	33	3,479	–	(833)	–	–	–	–	2,679	–	2,679
Shares repurchased	(6)	(11,469)	–	–	–	–	–	–	(11,475)	–	(11,475)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	958	958
Transfer from retained profits	–	–	–	–	–	2,823	(2,823)	–	–	–	–
Issue of shares under the share placing option	75	251,218	–	–	–	–	–	–	251,293	–	251,293
At December 31, 2018	1,836	364,100	(20,883)	18,955	(11)	14,359	112,554	(12,246)	478,664	14,635	493,299

* These reserve accounts comprise the consolidated reserves of US$476,828,000 (For the year ended 31 December 2017: US$216,075,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Net cash flows (used in)/from operating activities	**(18,239)**	295,412
Net cash flows used in investing activities	**(220,349)**	(181,666)
Net cash flows from financing activities	**(2,778)**	257,273
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(241,366)**	371,019
Net foreign exchange difference	**(795)**	(318)
Cash and cash equivalents at beginning of year	**494,558**	123,857
CASH AND CASH EQUIVALENTS AT END OF YEAR	**252,397**	494,558

NOTES:

1. GENERAL INFORMATION

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

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

The Group is a well-recognized life sciences research and application service and product provider that applies its proprietary technology to various fields from basic life sciences research to translational biomedical development, industrial synthetic products, and cell therapeutic solutions. The services and products include (i) life science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy.

These consolidated financial statements are presented in United States dollars ("**US$**"), unless otherwise stated, and were approved for issue by the Board on March 27, 2020.

2. BASIS OF PREPARATION

2.1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for wealth management products and equity investments which have been measured at fair value. These financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2. Changes in accounting policy and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

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

HKFRS 16 Leases

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

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

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

	Increase/ (decrease) *US$'000*
Assets	
Increase in right-of-use assets	23,628
Decrease in prepaid land lease payments	(17,414)
Decrease in prepayments, other receivables and other assets	(392)
Increase in total assets	5,822
Liabilities	
Increase in lease liabilities	5,934
Increase total liabilities	5,934
Decrease in retained earnings	(112)

3. SEGMENT INFORMATION

The segment information for the year ended December 31, 2019, is as follows:

	Life 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 sales	**170,399**	**22,450**	**23,106**	**57,399**	**273,354**
Segment cost of sales	**59,821**	**15,468**	**17,775**	**–**	**93,064**
Segment gross profit	**110,578**	**6,982**	**5,331**	**57,399**	**180,290**

The segment information for the year ended December 31, 2018, is as follows:

	Life 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 sales	141,026	20,655	17,730	51,606	231,017
Segment cost of sales	45,537	11,826	15,215	-	72,478
Segment gross profit	95,589	8,829	2,515	51,606	158,539

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of services provided and goods sold after allowances for returns and trade discounts during the year.

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Revenue from contracts with customers	**272,977**	231,017
Revenue from other sources		
Gross rental income from operating leases	**377**	–
	273,354	231,017
Other income and gains		
Bank interest income	**8,350**	10,004
Foreign currency exchange gain, net	**3,623**	3,959
Government grants	**7,966**	3,598
Fair value gains on financial assets at fair value change through profit or loss	**1,041**	1,295
Others	**205**	85
	21,185	18,941

5. (LOSS)/PROFIT BEFORE TAX

	Notes	Year ended December 31, 2019 US$'000	2018 US$'000
Cost of inventories sold		**14,689**	6,726
Cost of services provided		**68,017**	36,148
Depreciation of property plant and equipment	*10*	**17,361**	11,122
Depreciation of investment properties	*11*	**102**	–
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	*12(a)(b)*	**1,376**	230
Amortization of other intangible assets	*15*	**1,803**	1,582
Impairment of financial and contract assets, net:			
Impairment of trade receivables	*19*	**1,851**	968
Impairment of financial assets included in prepayments, other receivables and other assets	*20*	**–**	9
Minimum lease payments under operating leases		**–**	1,655
Lease payments not included in the measurement of lease liabilities	*12(d)*	**914**	–
Auditors' remuneration		**520**	505
Employee benefit expenses (excluding directors' remuneration):			
Wages and salaries		**130,457**	75,160
Pension scheme contributions (defined contribution schemes)		**10,784**	8,912
Equity-settled share option expense		**10,452**	8,652
		151,693	92,724
Research and development costs		**134,144**	57,821
Foreign currency exchange gain		**(3,623)**	(3,959)
Loss on disposal of items of property, plant and equipment		**153**	18
Write-down of inventories to net realizable value	*18*	**992**	388

6. FINANCE COSTS

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Interest on bank loans	**469**	52
Interest on lease liabilities	**312**	–
	781	52

7. INCOME TAX EXPENSE

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Current income tax expense – China	**(253)**	961
Current income tax expense – Elsewhere	**(3,617)**	5,318
Deferred income tax expense	**7,696**	(4,338)
Income tax expense	**3,826**	1,941

8. DIVIDENDS

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Dividends on ordinary shares during the year	**–**	–

The Board has resolved not to declare any dividend for the year ended December 31, 2019 (For the year ended December 31, 2018: Nil).

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,853,927,485 (2018: 1,792,336,607) in issue during the year.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**(96,912)**	21,216
Shares		
Weighted average number of ordinary shares in issue during the year	**1,855,261,389**	1,792,336,607
Effect of shares repurchased	**(1,333,904)**	–
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,853,927,485**	1,792,336,607
Effect of dilution – weighted average number of ordinary shares:		
Share options	**37,078,404***	47,278,259
	1,891,005,889	1,839,614,866

* Because the diluted loss per share amount is decreased when taking share options into account, the share options had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss for the year of US$96,912,000, and the weighted average number of ordinary shares of 1,853,927,485 in issue during the year.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *US$'000*	Machinery and equipment *US$'000*	Motor vehicles *US$'000*	Computer and office equipment *US$'000*	Construction in progress *US$'000*	Total *US$'000*
31 December, 2019						
At December 31, 2018, and at January 1, 2019:						
Cost	**76,514**	**62,540**	**583**	**7,842**	**46,072**	**193,551**
Accumulated depreciation and impairment	**(6,982)**	**(23,416)**	**(293)**	**(4,847)**	**–**	**(35,538)**
Net carrying amount	**69,532**	**39,124**	**290**	**2,995**	**46,072**	**158,013**
At January 1, 2019, net of accumulated depreciation and impairment	**69,532**	**39,124**	**290**	**2,995**	**46,072**	**158,013**
Additions	**13,576**	**168**	**37**	**358**	**91,938**	**106,077**
Disposals	**(26)**	**(481)**	**(1)**	**(9)**	**–**	**(517)**
Depreciation provided during the year	**(4,856)**	**(10,670)**	**(58)**	**(1,777)**	**–**	**(17,361)**
Exchange realignment	**(577)**	**(640)**	**(5)**	**(38)**	**(1,422)**	**(2,682)**
Transfers to investment properties	**(7,544)**	**–**	**–**	**–**	**–**	**(7,544)**
Transfers	**47,673**	**46,615**	**56**	**1,923**	**(96,267)**	**–**
At December 31, 2019, net of accumulated depreciation and impairment	**117,778**	**74,116**	**319**	**3,452**	**40,321**	**235,986**
At December 31, 2019:						
Costs	**129,433**	**106,953**	**654**	**9,961**	**40,321**	**287,322**
Accumulated depreciation and impairment	**(11,655)**	**(32,837)**	**(335)**	**(6,509)**	**–**	**(51,336)**
Net carrying amount	**117,778**	**74,116**	**319**	**3,452**	**40,321**	**235,986**

Assets with a net book value US$4,105,000 were pledged as security for interest-bearing bank loans as set out in Note 24 (2018: US$11,623,000).

	Land and buildings *US$'000*	Machinery and equipment *US$'000*	Motor vehicles *US$'000*	Computer and office equipment *US$'000*	Construction in progress *US$'000*	Total *US$'000*
31 December, 2018						
At December 31, 2017, and at January 1, 2018:						
Cost	34,525	37,602	568	5,782	28,720	107,197
Accumulated depreciation and impairment	(4,783)	(18,097)	(251)	(3,558)	–	(26,689)
Net carrying amount	29,742	19,505	317	2,224	28,720	80,508
At January 1, 2018, net of accumulated depreciation and impairment	29,742	19,505	317	2,224	28,720	80,508
Acquisition of subsidiaries	–	–	–	43	–	43
Additions	29,820	89	–	135	60,830	90,874
Disposals	–	(17)	–	(1)	–	(18)
Depreciation provided during the year	(2,576)	(7,096)	(57)	(1,393)	–	(11,122)
Exchange realignment	(1,388)	(766)	(13)	(81)	(24)	(2,272)
Transfers	13,934	27,409	43	2,068	(43,454)	–
At December 31, 2018, net of accumulated depreciation and impairment	69,532	39,124	290	2,995	46,072	158,013
At December 31, 2018:						
Costs	76,514	62,540	583	7,842	46,072	193,551
Accumulated depreciation and impairment	(6,982)	(23,416)	(293)	(4,847)	–	(35,538)
Net carrying amount	69,532	39,124	290	2,995	46,072	158,013

11. INVESTMENT PROPERTIES

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Carrying amount at January 1,	**–**	–
Transfer from owner-occupied property	**7,544**	–
Depreciation provided during the year	**(102)**	–
Carrying amount at December 31,	**7,442**	–

As at 31 December 2019, investment properties with a carrying amount of approximately US$7,442,000 (2018: Nil) were pledged as collateral of the Group's bank borrowings.

12. LEASE

(a) Prepaid land lease payments (before 1 January 2019)

	Total *US$'000*
Carrying amount at 1 January 2018	10,411
Additions	8,104
Recognised in profit or loss during the year	(230)
Exchange realignment	(479)
Carrying amount at 31 December 2018	17,806
Current portion included in prepayments, other receivables and other assets	(392)
Non-current portion at 31 December 2018	17,414

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments *US$'000*	Land and Buildings *US$'000*	Total *US$'000*
As at January 1, 2019	**17,806**	**5,822**	**23,628**
Additions	**6,824**	**855**	**7,679**
Depreciation charge	**(420)**	**(956)**	**(1,376)**
Exchange realignment	**(289)**	**–**	**(289)**
As at December 31, 2019	**23,921**	**5,721**	**29,642**

(c) Lease liabilities

Lease liabilities are as indicated below:

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

	2019 *US$'000*
Carrying amount at 1 January	**5,934**
New leases	**7,679**
Accretion of interest recognised during the year	**312**
Payments	**(8,548)**
As at December 31	**5,377**
Analysed into:	
Current portion	**1,769**
Non-current portion	**3,608**
As at December 31, 2019	**5,377**

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 ***US$'000***
Interest on lease liabilities	**312**
Depreciation charge of right-of-use assets	**1,376**
Expense relating to short-term leases and leases of low-value assets	**914**
Total amount recognized in profit or loss	**2,602**

The Group as a lessor

The Group leases its investment properties (note 11) consisting of one commercial properties in Japan, right-of-use assets (note 12) consisting of Car Parking Space in Ireland and land and buildings (note 10) consisting of one office in USA under operating lease arrangements. Rental income recognised by the Group during the year was US$377,000 (2018: nil), details of which are included in note 4 to the financial statements.

At 31 December 2019, the undiscounted minimum lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 ***US$'000***	2018 *US$'000*
Within one year	**322**	-
After one year but within two years	**116**	-
	438	-

13. GOODWILL

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Cost at January 1	**15,287**	1,470
Acquisition of a subsidiary	**–**	13,888
Exchange realignment	**(42)**	(71)
Cost and net carrying amount at December 31	**15,245**	15,287

Impairment testing of goodwill

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

Life science services and products cash-generating unit

The recoverable amount of the life science services and products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-to-ten-year period approved by senior management. The discount rate applied to the cash flow projections is 16%~23% (Pushen: 16%; CustomArray: 23%). The growth rate used to extrapolate the cash flows of the life science services and products beyond the five-to-ten-year period is 0%~3%(Pushen: 3%; CustomArray: 0%), which is the same as the long-term growth rate of the industry.

Industrial synthetic biology products cash-generating unit

The recoverable amount of the industrial synthetic biology products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16% (2018: 16%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 3% (2018:3%), which is the same as the long-term growth rate of the industry.

Assumptions were used in the value in use calculation of the three cash-generating unit for December 31, 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of industrial synthetic biology products and discount rates are consistent with external information sources.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Life science services and products		**Industrial synthetic biology products**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Carrying amount of goodwill	**13,868**	13,888	**1,377**	1,399	**15,245**	15,287

14. OTHER INTANGIBLE ASSETS

	Software *US$'000*	Patents and licenses *US$'000*	Customer relationship *US$'000*	Total *US$'000*
December 31, 2019				
Cost at January 1, 2019, net of accumulated amortization	**884**	**18,645**	**113**	**19,642**
Additions	**273**	**8,034**	**–**	**8,307**
Amortization provided during the year	**(282)**	**(1,506)**	**(15)**	**(1,803)**
Exchange realignment	**(15)**	**(647)**	**(2)**	**(664)**
At December 31, 2019	**860**	**24,526**	**96**	**25,482**
At December 31, 2019				
Cost	**2,172**	**27,703**	**148**	**30,023**
Accumulated amortization	**(1,312)**	**(3,177)**	**(52)**	**(4,541)**
Net carrying amount	**860**	**24,526**	**96**	**25,482**
December 31, 2018				
Cost at January 1, 2018, net of accumulated amortization	968	1,364	135	2,467
Acquisition of subsidiaries	–	18,263	–	18,263
Additions	335	331	–	666
Amortization provided during the year	(370)	(1,197)	(15)	(1,582)
Exchange realignment	(49)	(116)	(7)	(172)
At December 31, 2018	884	18,645	113	19,642
At December 31, 2018				
Cost	1,927	20,114	151	22,192
Accumulated amortization	(1,043)	(1,469)	(38)	(2,550)
Net carrying amount	884	18,645	113	19,642

15. INVESTMENTS IN ASSOCIATES

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Share of net assets	**2,615**	2,924
Loans to an associate	**2,007**	–

The loans to an associate was unsecured, interest-bearing and repayable within one year. There was no recent history of default and past due amounts for loans to associates. As at 31 December 2019, the loss allowance was assessed to be minimal.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Share of the associates' loss for the year	**(308)**	(201)
Share of the associates' total comprehensive loss	**(308)**	(201)
Exchange realignment	**(1)**	–
Aggregate carrying amount of the Group's investments in the associates	**2,615**	2,924

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Financial assets at fair value through profit or loss		
Unlisted equity investments, at fair value	**4,667**	3,405
Investment in financial products, at fair value	**25,434**	70,056
	30,101	73,461

The above equity investments at 31 December 2019 and 2018 were classified as financial assets at fair value through profit or loss as they were held for trading.

The above investment in financial products at 31 December 2019 and 2018 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.

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	**–**	4,949

18. INVENTORIES

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Raw materials	**5,128**	4,445
Work in progress	**6,629**	2,922
Finished goods	**10,634**	6,606
	22,391	13,973
Less: Provision for inventories	**(2,536)**	(1,544)
	19,855	12,429

Inventory provision of US$992,000 was recognised for the year ended 31 December 2019 (2018: US$388,000). Inventory provision has been included in "cost of sales" in the consolidated statement of profit or loss.

19. TRADE AND NOTES RECEIVABLES

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Trade receivables	**74,107**	67,999
Notes receivable	**3,396**	2,429
	77,503	70,428
Less: Impairment of trade receivables	**(4,436)**	(2,585)
	73,067	67,843

As at December 31, 2019 and 2018, the ageing analysis of the trade receivables based on invoice date was as follows:

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Within 3 months	**68,034**	59,692
3 to 6 months	**1,585**	2,829
6 to 12 months	**2,145**	720
Over 12 months	**2,343**	4,758
	74,107	67,999

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
VAT recoverable	**9,175**	6,891
Prepayments	**8,199**	5,713
Prepaid income tax	**8,779**	–
Prepaid expense	**1,847**	1,048
Interest receivable	**1,730**	6,071
Other receivables	**1,704**	1,811
Advance to employees	**221**	389
	31,655	21,923
Less: Impairment of other receivables	**(34)**	(34)
	31,621	21,889

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Cash and bank balances	**252,397**	494,558
Time deposits	**148,693**	–
Pledged short-term deposits	**972**	12,688
	402,062	507,246
Less: Time deposits	**(148,693)**	–
Pledged for short term bank loans	**–**	(11,004)
Pledged for credit cards	**(256)**	–
Pledged for notes payable	**(716)**	(1,684)
Cash and cash equivalents	**252,397**	494,558

22. TRADE AND BILLS PAYABLES

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Trade payables	**14,559**	9,547
Bills payable	**3,068**	1,640
	17,627	11,187

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

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Within 3 months	**13,666**	9,364
3 to 6 months	**678**	57
6 to 12 months	**105**	56
Over 1 year	**110**	70
	14,559	9,547

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

23. OTHER PAYABLES AND ACCRUALS

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Accrued expenses	**64,740**	23,631
Payables for purchases of machinery and construction of buildings	**32,560**	22,817
Accrued payroll	**23,210**	12,852
Advances from customers	**13,836**	11,742
Other payables	**3,327**	2,366
Taxes payable other than corporate income tax	**1,198**	536
	138,871	73,944

24. INTEREST-BEARING BANK BORROWINGS

	Year ended December 31,					
	2019			2018		
	Effective interest rate *(%)*	**Maturity**	***US$'000***	Effective interest rate *(%)*	Maturity	*US$'000*
Current						
Bank loans – secured	**–**	**–**	**–**	0.1	2020	9,919
Bank loans – unsecured	**2.4-3.8**	**2020**	**16,456**	6.6	2020	583
Current portion of long term bank loans – secured	**0.32**	**2020**	**552**	–	–	–
			17,008			10,502
Non-current						
Non-current portion of long term bank loans – secured	**0.32**	**2021-2024**	**1,748**	–	–	–

25. CONTRACT LIABILITIES

	December 31, 2019 ***US$'000***	December 31, 2018 *US$'000*
Non-current contract liabilities		
License and collaboration revenue	**277,827**	262,127
Current contract liabilities		
License and collaboration revenue	**46,294**	41,018
Total contract liabilities	**324,121**	303,145

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

26. GOVERNMENT GRANTS

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
At January 1	**4,116**	2,977
Grants received during the year	**–**	1,594
Amount released	**(111)**	(320)
Exchange realignment	**(72)**	(135)
At end of year	**3,933**	4,116
Current	**90**	98
Non-current	**3,843**	4,018
	3,933	4,116

The grants were related to the subsidies received from local government authorities for the purpose of compensation for expenditure on certain facilities, and they were credited to a deferred income account. The grants were released to the statement of profit or loss over the expected useful lives of the relevant assets. The Group also received certain financial subsidies from local government authorities to support local business. There were no unfulfilled conditions or other contingencies attached to these government grants. These government grants were recognized in the statement of profit or loss upon receipt.

27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation *US$'000*	**Fair value adjustments arising from acquisition of a subsidiary** *US$'000*	**Unrealised loss from intercompany transactions** *US$'000*	**Total** *US$'000*
At January 1, 2019	**46**	**4,017**	**–**	**4,063**
Deferred tax charged/(credited) to the statement of profit or loss during the year	**2,762**	**(267)**	**531**	**3,026**
Exchange realignment	**(31)**	**(3)**	**–**	**(34)**
Gross deferred tax liabilities at December 31, 2019	**2,777***	**3,747**	**531**	**7,055**
At January 1, 2018	48	342	–	390
Acquisition of a subsidiary	6	3,884	–	3,890
Deferred tax credited to the statement of profit or loss during the year	(8)	(196)	–	(204)
Exchange realignment	–	(13)	–	(13)
			–	
Gross deferred tax liabilities at December 31, 2018	46	4,017	–	4,063

* Deferred tax liabilities and deferred tax assets amounted to about US$1,473,000 were net off in subsidiaries' financial statements.

Deferred tax assets

	Accrued expense *US$'000*	Decelerated depreciation for tax purposes *US$'000*	Impairment of assets *US$'000*	Unrealised profit from intercompany transactions *US$'000*	Government grants *US$'000*	Losses available for offsetting against future taxable profits *US$'000*	Unrealized fair value of financial assets at fair value through profit or loss *US$'000*	Total *US$'000*
At January 1, 2019	**1,101**	**103**	**1,265**	**8,076**	**617**	**726**	**–**	**11,888**
Deferred tax charged/(credited) to the statement of profit or loss during the year	**97**	**(112)**	**17**	**(6,882)**	**359**	**1,842**	**9**	**(4,670)**
Exchange realignment	**(17)**	**9**	**(11)**	**–**	**(13)**	**(14)**	**–**	**(44)**
Gross deferred tax assets at December 31, 2019	**1,183**	**–**	**1,271**	**1,194**	**963**	**2,554**	**9**	**7,174**
At January 1, 2018	1,318	–	934	4,874	447	–	–	7,573
Acquisition of a subsidiary	–	–	1	–	–	267	–	268
Deferred tax (charged)/credited to the statement of profit or loss during the year	(184)	106	347	3,202	196	467	–	4,134
Exchange realignment	(33)	(3)	(17)	–	(26)	(8)	–	(87)
Gross deferred tax assets at December 31, 2018	1,101	103	1,265	8,076	617	726	–	11,888

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Net deferred tax liabilities recognized in the consolidated statement of financial position	**5,582**	4,017
Net deferred tax assets recognized in the consolidated statement of financial position	**5,701**	11,842

28. SHARE CAPITAL AND SHARE PREMIUM

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Authorized:		
Ordinary shares of US$0.001 each	**5,000**	5,000
Issued and fully paid:		
Ordinary shares of US$0.001 each	**1,879**	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$'000*	**Treasury shares** *US$'000*	**Share premium** *US$'000*	**Total** *US$'000*
At January 1, 2018	1,733,606,187	1,734	–	120,770	122,504
Purchases of minority interests of the subsidiary	–	–	–	(297)	(297)
Acquisition of equity by minority shareholders	–	–	–	399	399
Issue of shares under the share placing option	75,000,000	75	–	251,218	251,293
Shares repurchased	(6,278,000)	(6)	–	(11,469)	(11,475)
Share options exercised	33,034,890	33	–	3,479	3,512
At December 31, 2018 and January 1, 2019	1,835,363,077	1,836	–	364,100	365,936
Purchases of minority interest of the subsidiary	**–**	**–**	**–**	**(1,588)**	**(1,588)**
Acquisition of equity by minority shareholders	**–**	**–**	**–**	**383**	**383**
Share repurchase	**–**	**–**	**(7,774)**	**–**	**(7,774)**
Share options exercised	**43,013,573**	**43**	**–**	**5,886**	**5,929**
At December 31, 2019	**1,878,376,650**	**1,879**	**(7,774)**	**368,781**	**362,886**

POSITIONING OF THE COMPANY

The Group is a well-established global biotech company inspired by the mission "Make Human and Nature Healthier through Biotechnology". Over the past 17 years, we have invested heavily into research and development, resulting in proprietary gene synthesis and other technology and know-hows. We have established four major platforms including (i) a leading Contract Research Organization (the "**CRO**") platform to provide one-stop solutions to global life science research communities, (ii) a Contract Development and Manufacturing Organization (the "**CDMO**") platform for biological drugs, (iii) an industrial synthetic products platform (Bestzyme), and (iv) an integrated global cell therapy platform (Legend). We believe these four internally built platforms can continue their rapid growth and generate positive returns to our shareholders.

The Group's business operation spans over 100 countries worldwide with legal entities located in the United States, Mainland China, Hong Kong, Japan, Singapore, Netherlands and Ireland. We have 3,738 employees as of December 31, 2019.

The life science services and products segment (CRO platform) remains as the strong and stable revenue generating foundation for the Group. We have maintained the position as one of the world's largest molecular biology CRO companies. We offer services and products covering gene synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and convenient and high-put-through equipment and consumables. We have active and healthy interactions with the global life science research community. Our services and products have been cited in over 42,200 international peer reviewed journal articles by December 31, 2019.

The biologics development services segment (CDMO platform) provides end-to-end gene and cell therapy and biologics discovery and development services to pharmaceutical, biotech, government and academic customers worldwide. The team focused on building the Good Manufacturing Practice ("**GMP**") capabilities during the Year. GMP facilities have been under construction according to our strategic planning with phase by phase delivery of the discovery, development, and medium to large scale manufacturing services to our customers.

Legend Biotech Corporation ("**Legend**") is the clinical stage biopharmaceutical subsidiary of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Our lead product candidate, LCAR-B38M/JNJ-4528, is a chimeric antigen receptor T-cell ("**CAR-T**") therapy, that Legend is jointly developing with Janssen Biotech, Inc. ("**Janssen**"), for the treatment of multiple myeloma or MM. Our clinical results achieved to date demonstrate that LCAR-B38/JNJ-4528 has the potential to deliver deep and durable antitumor responses in relapsed and refractory multiple myeloma ("**RRMM**") patients with a manageable safety profile. JNJ-4528 has been granted Breakthrough Therapy designation and orphan drug designation by the Food and Drug Administration of the United States and "PRIority Medicines" designation, enabling accelerated assessment, by the European Medicines Agency. Please refer to the previous announcements dated April 4, 2019, December 8, 2019 and December 9, 2019 for details. Our new pipeline CAR-T programs have been under active development, with additional U.S./China Investigational New Drug ("**IND**") approval anticipated to be obtained in the upcoming 12 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 and feed processing and other industrial markets. Our long-term goals are: (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 performance and to reduce costs. We believe synthetic biology offers us new opportunities from both technical and commercial perspectives.

During the Reporting Period, the Group achieved growth in sales revenue for all business units, and we also invested significantly into strategic research and development activities which will drive sustainable business growth in the long run. We are confident that our persistent efforts on both technical and managerial aspects will be paid off ultimately and will allow us to achieve a better future.

BUSINESS REVIEW

During the Reporting Period, overall revenue of the Group was approximately US$273.4 million, representing an increase of 18.4% as compared with approximately US$231.0 million for the year ended December 31, 2018. Gross profit was approximately US$180.3 million, representing an increase of 13.8% as compared with approximately US$158.5 million for the year ended December 31, 2018. The increase in revenue was primarily attributable to (i) the continued stable increase growth from life science services and products from major strategy customers and new competitive services and products, (ii) the increase of contract revenue derived from Legend's collaboration with Janssen on JNJ-4528, and (iii) the increase in both the number of customers and their purchase volume of industrial synthetic biology products. The increase in gross profit was mainly attributable to higher revenue, and was slightly offset by high start-up costs and GMP facility expenses in our biologics development, primarily due to the upgraded products and sales team.

During the Reporting Period, the loss was approximately US$117.5 million, whilst profit was approximately US$20.8 million for the year ended December 31, 2018. The adjusted net loss (excluding share-based payment expenses) was approximately US$107.1 million, whilst adjusted net profit was approximately US$29.6 million for the year ended December 31, 2018.

The loss attributable to owners of the Company was approximately US$96.9 million, whilst profit attributable to owners of the Company was approximately US$21.2 million for the year ended December 31, 2018. The adjusted net loss attributable to owners of the Company (excluding share-based payment expenses) was approximately US$86.7 million, whilst adjusted net profit attributable to owners of the Company was approximately US$30.1 million for the year ended December 31, 2018.

During the Reporting Period, the Company generated revenue of approximately US$170.4 million, US$22.5 million, US$23.1 million and US$57.4 million from the four segments, namely, (i) life science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy, representing approximately 62.3%, 8.2%, 8.5% and 21.0% of the total revenue, respectively.

Results Analysis of the Four Business Segments

1. Life science services and products

Results

During the Reporting Period, revenue generated from life science services and products was approximately US$170.4 million, representing an increase of 20.9% as compared with approximately US$141.0 million for the year ended December 31, 2018. During the same period, the gross profit was approximately US$110.6 million, representing an increase of 15.7% as compared with approximately US$95.6 million for the year ended December 31, 2018. The increase in both revenue and gross profit was primarily attributable to (i) successful commercial operation that focuses on synthetic biology industry sector especially in gene synthesis and synthetic libraries business, (ii) production facility in Zhenjiang, along with the automated peptide production line, becoming fully operational, which boosted production capacity and competitiveness of life science business and increased market share in customized peptide market, (iii) improved commercial operations including the (a) establishment of Europe and Asia Pacific sites with new leadership 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) launching of user-friendly online services platform to attract new customers and improve customers' loyalty, 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.

Development Strategies

The Company intends to (i) develop and launch a comprehensive on-line platform that incorporates information sharing, project design, ordering and project management in molecular biology, antibody engineering, peptide and next generation sequencing applications, in order to further expand customer base and enhance customer experience, (ii) upgrade current reagent services to offer integrated solutions with assisted design capability to certain fast growing frontier areas, including metabolic pathway engineering, protein engineering and antibody engineering, (iii) launch next generation sequencing solutions including target enrichment kits and related reagents, and globally commercialize such solutions in both research and diagnostics setting, and (iv) establish research and development, production and commercialization capability for pre-clinical and clinical grade nucleic acid and peptide materials for gene therapy, cell therapy and other immune therapy applications, by collaborating and partnering with top biotech or pharmaceutical companies.

2. Biologic development service

Results

During the Reporting Period, revenue generated from biologic development services was approximately US$22.5 million, representing an increase of 8.7% as compared with approximately US$20.7 million for the year ended December 31, 2018. During the same period, the gross profit was approximately US$7.0 million, representing a decrease of 20.5% as compared with approximately US$8.8 million for the year ended December 31, 2018. Total backlog for biologics development services increased by 172.9% from US$18.1 million from the year ended December 31, 2018 to US$49.4 million for the year ended December 31, 2019. The increase in revenue and backlog was primarily attributable to (i) successful delivery of the ongoing projects, (ii) completion of out-license and collaboration deals of Bi-Specific Single Domain Antibody ("**SMAB**") platform, (iii) growing talent pool, and (iv) expanded capacity of development and manufacturing in plasmid and virus and antibody platform. The decrease in gross profit was primarily attributed to (i) fast growing talent pool and introduction of senior management teams, and (ii) increased depreciation and other start-up costs.

Development strategies

The Company intends to (i) continue to enhance the antibody drug discovery platforms by developing and introducing advanced technologies, including but not limited to fully-human antibodies from transgenic animals, human antibody libraries and single B cell technology, (ii) exploit the power of SMAB bi-specific antibody platform and other multi-specific antibody and fusion protein platforms through collaboration with external biopharma or biotech companies and continuous development of new molecules in-house, including monoclonal antibodies and single domain antibodies, (iii) build the capability in lentivirus vector and other key viral vectors through in-house development and external collaborations, (iv) increase pre-clinical and clinical development capacity through the opening of new GMP facilities for both antibody drug and virus vectors, (v) penetrate into the market in the U.S. and the Asia Pacific through in-house capability and external collaborations, (vi) launch and continuously promote the independent brand name of "GenScript ProBio", and (vii) enhance senior management and research and development teams with talents who have international biopharma background.

3. Industrial synthetic biology products

Results

During the Reporting Period, revenue generated from industrial synthetic biology products was approximately US$23.1 million, representing an increase of 30.5% as compared with approximately US$17.7 million for the year ended December 31, 2018. Excluding impact from foreign currency conversion, constant currency revenue increased by 34.6%. During the same period, the gross profit was approximately US$5.3 million, representing an increase of 112.0% as compared with US$2.5 million for the year ended December 31, 2018. The increase in both revenue and gross profit was primarily attributable to (i) the launch of innovative products and the entrance to bio-synthesis market, (ii) the increased penetration in industries and territories with upgraded marketing strategy from a product seller to a solution provider, and (iii) cost reduction and quality improvement from optimizing production process.

Development Strategies

The Company intends to be a leading bio-synthetic product supplier and well-recognized enzyme company by providing enzymes and microorganisms solution to our customers.

The Company intends to (i) drive business growth and profit improvement by taking advantage of our strong competency in strain optimization and product engineering, (ii) leverage our production capacity to gain market share, (iii) provide non-antibiotic animal health and nutrition solutions to key customers, and (iv) continue to optimize our operation process and reinvest in research and research to development capability to serve better in existing industries and targeted new business.

4. Cell therapy

Results

During the Reporting Period, revenue generated from cell therapy segment was approximately US$57.4 million, representing an increase of 11.2% as compared with approximately US$51.6 million for the year ended December 31, 2018. During the same period, gross profit was approximately US$57.4 million, representing an increase of 11.2% as compared with approximately US$51.6 million for the year ended December 31, 2018. The increase in both revenue and gross profit was primarily attributable to further recognition of contract revenue from the collaboration with Janssen on developing JNJ-4528.

Development Strategies

The Company intends to (i) conduct clinical trials in earlier-stage MM patients who may have fewer comorbidities and may be more likely to respond to therapies than late-stage RRMM patients, and (ii) continue the development of a broad portfolio of product candidates in investigator-initiated trials in China and preclinical development targeting various hematological malignancies, solid tumors and infectious diseases. Legend and its subsidiaries (the "**Legend Group**") plans to use data from the investigator-initiated clinical trials in China to prioritize product candidates to advance into broader clinical testing globally.

FINANCIAL REVIEW

	2019	2018	Change
	US$'000	*US$'000*	*US$'000*
Revenue	**273,354**	231,017	42,337
Gross profit	**180,290**	158,539	21,751
(Loss)/Profit after income tax	**(117,516)**	20,759	(138,275)
Net (loss)/profit excluding share-based payment expenses	**(107,146)**	29,611	(136,757)
(Loss)/Profit attributable to shareholders of the Company	**(96,912)**	21,216	(118,128)
(Loss)/Profit attributable to shareholders of the Company, excluding share-based payment expenses	**(86,735)**	30,068	(116,803)
(Loss)/Earnings per share *(US cent per share)*	**(5.23)**	1.18	(6.41)

Revenue

In 2019, the Group recorded revenue of US$273.4 million, representing an increase of 18.4% from US$231.0 million in 2018. This was primarily attributable to (i) the continuing increase from life science services and products from major strategy customers and new competitive services and products, (ii) the increase of contract revenue derived from Legend's collaboration with Janssen on JNJ-4528, 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 sales team.

Gross Profit

In 2019, the Group's gross profit increased by 13.8% to US$180.3 million from US$158.5 million in 2018. The increase in gross profit was primarily attributable to higher revenue, partially offset by investment in talents and capacity as well as start-up costs for our biologics development services segment.

Selling and distribution expenses

The selling and distribution expenses increased by 81.4% to US$70.4 million in 2019 from US$38.8 million in 2018. This was mainly attributable to (i) enhanced marketing activities including participation in high-profile exhibitions and industry conferences and use of enhanced advertisements placed to improve the Group's brand image among the targeted audiences, and (ii) 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.

Administrative expenses

In 2019, the administrative expenses increased by 36.2% to US$55.3 million from US$40.6 million in 2018. This was mainly caused by (i) competitive compensation package for our employees 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 set-up of the European and Asia-Pacific Regional centers to accelerate the Group's global market penetration.

Research and development expenses

The research and development expenses increased by 151.0% to US$186.0 million in 2019 from US$74.1 million in 2018. This was mainly due to (i) our investment in developing CAR-T programs in our cell therapy segment, (ii) our continuous investment in research and development activities to secure and maintain high-level research and development talents, and (iii) our participation in certain new challenging research and development projects to strengthen our competitiveness in the market and improved our production efficiency.

Income tax expenses

The income tax expenses increased from US$1.9 million in 2018 to US$3.8 million in 2019. The actual tax rate was (3.4)% (for the year ended December 31, 2018: 8.6%) for the year ended December 31, 2019. The increase of tax expenses in 2019 was mainly caused by unrecognized taxable losses.

Net profit/(Loss)

During the Reporting Period, net loss of the Group was approximately US$117.5 million, whilst the net profit for the same period of 2018 was approximately US$20.8 million.

Significant investments held, material acquisitions and disposals

As at December 31, 2019, significant investments held by the Group are as follows:

	December 31, 2019	December 31, 2018
	US$'000	*US$'000*
Financial assets at fair value through profit or loss		
– Current	**25,434**	70,056
– Non-current	**4,667**	3,405
Equity investment designated at fair value through other comprehensive income	**–**	4,949
Total	**30,101**	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 1.73% to 7.09% 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 December 31, 2019, except those put options. As of December 31, 2019, the Group has redeemed those wealth management products at maturation and has no intention to dispose of all the investments in the long-term.

As part of our treasury management plan, 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 were made in low-risk, liquid and sound wealth management products and low risk trust products, such as capital preservation products, fixed-income products, trust products with agreed yield expectations and adequate safeguards, and trust products backed by highly liquid collaterals.

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

During the Reporting Period, we had only invested in wealth management products issued by major reputable banks in China and Hong Kong, and we preserved all our invested 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, and our investments had not been pledged to secure our borrowings during the period ended December 31, 2019.

Information in relation to the current part of financial assets at fair value through profit or loss as at December 31, 2019 are set out as follows:

			Investment cost				
Banks	**Product type/ description**	**Original amount In RMB or US$**	**In US$'000**	**Fair value as of December 31, 2019 In US$'000**	**Purchase date**	**Maturity date**	**Redemption date**
1. Citigroup Global Markets Holdings Inc.	Term notes	US$5,000,000	5,000	5,000	10/15/2018	10/15/2021	On call
2. Credit Suisse AG, Hong Kong Branch	Premium Cash Plus (Pure FRNs) USD	US$10,000,000	10,000	10,326	02/12/2019	N/A	On call
3. Credit Suisse AG, Hong Kong Branch	Supply Chain Finance Fund Capitalisation	US$9,998,999	9,999	10,176	01/30/2019	N/A	On call
4. Bank of Ningbo	Put Option	–	–	(78)	02/22/2019	02/21/2020	–
5. Bank of Ningbo	Put Option	–	–	(76)	03/05/2019	03/05/2020	–
6. Citibank N.A.	Forward Exchange Transaction	–	–	86	11/28/2019	02/20/2020	–
Total:			24,999	25,434			

Information in relation to the non-current part of financial assets at fair value through profit or loss as at December 31, 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 December 31, 2019** *%*	**Investment Cost** *US$'000*	**Market value as at December 31, 2019** *US$'000*	**Percentage to the Group's total assets as at December 31, 2019** *%*	**Realised gain on change in fair value for the period ended December 31, 2019** *US$'000*	**Unrealised gain/(loss) on change in fair value for the period ended December 31, 2019** *US$'000*	**Dividends received for the period ended December 31, 2019** *US$'000*
Yuanming Prudence SPC – Healthcare Fund I Segregated Portfolio *(Note)*	Equity investment	Investment in fund/securities	486.43	0.28	500	500	0.06	–	–	–
Panacea Venture Healthcare Fund I, L.P. *(Note)*	Equity investment	Investment in fund/securities	Not applicable	5.54	4,322	4,167	0.47	–	(233)	–

(Note) Given the value of investments is minimal, accounted for less than 1% of the total assets of the Group as of December 31, 2019, the Company has not prepared an analysis on their prospects.

For the Reporting Period, we recorded the investment gain on the financial assets at fair value through profit or loss of US$839,000 and a fair value gain at US$202,000.

During the Reporting Period, the Group did not have any significant investments held, material acquisitions or disposals of subsidiaries and associated companies.

Trade receivables

	2019	2018
Trade receivables turnover *(day)*	**75**	71

The increase of trade receivables of the Group was mainly caused by the long-term contracts with our customers of biologics development service.

Inventories

	2019	2018
Inventory turnover *(day)*	**70**	55

The increase of inventory turnover of the Group was mainly caused by the increase of the level of safe stock due to the expanded sales of products, and the increase of workload in the process of biologics development service.

Property, plant and equipment

Property, plant and equipment include buildings, machinery equipment and construction in progress. As at December 31, 2019, the property, plant and equipment of the Group amounted to US$236.0 million, representing an increase of 49.4% from the property, plant and equipment of US$158.0 million as at December 31, 2018. This was mainly due to the construction of new factories to support the increased scale of production, especially for biologics development service and cell therapy.

Intangible assets

Intangible assets include software, patents and licenses. As at December 31, 2019, the Group's net intangible assets amounted to US$25.5 million, representing an increase of 30.1% from US$19.6 million as at December 31, 2018. The increase in intangible assets was mainly due to the new purchased license for gene sequences.

Working capital and financial resources

As at December 31, 2019, the cash and cash equivalents of the Group amounted to US$252.4 million (2018: US$494.6 million). There was no restricted fund.

Cash flow analysis

During the Reporting Period, the annual cash outflow used in operating activities of the Group was US$18.2 million.

During the Reporting Period, the annual cash outflow used in investing activities of the Group was US$220.3 million. This was mainly due to (i) proceeds from the financial assets at fair value through profit or loss in the amount of US$42.8 million, (ii) proceeds from the equity investments designated at fair value through other comprehensive income in the amount of US$5.0 million, (iii) the purchases of items of property, plant and equipment, other intangible assets and the prepayment of land lease payments for the purpose of enlarging production capability in the amount of US$118.5 million, (iv) loans to an associate in the amount of US$2.0 million, and (v) the purchases of time deposits in the amount of US$148.7 million.

During the Reporting Period, the annual cash outflow used in financing activities of the Group was US$2.8 million. This was mainly due to (i) proceeds from exercise of share options in the amount of US$3.7 million, (ii) proceeds from bank loans in the amount of US$27.3 million, (iii) capital injection received from minority shareholder in the amount of US$0.4 million, (iv) repayment of bank loans in the amount of US$19.0 million, (v) payment for shares in the amount of US$7.8 million, (vi) purchases of minority interests in the amount of US$6.0 million, and (vii) the principle portion of lease payments in the amount of US$1.4 million.

Capital expenditure and Capital Commitment

During the Reporting Period, the expenditure of purchasing intangible assets, namely software, patents and license, was US$1.3 million, the expenditure of purchasing property, plant and equipment amounted to US$110.4 million, and the expenditure of purchasing land use right amounted to US$6.8 million.

Contingent liabilities and guarantees

As at December 31, 2019, the Group did not have any material contingent liabilities or guarantees.

Charges on group assets

As at December 31, 2019, the building located in Tokyo, Japan of approximately JPY1.3 billion (equivalent to approximately US$11.5 million) was pledged by GenScript Japan Inc. ("**GS JP**") to secure a loan of JPY250.0 million (equivalent to approximately US$2.3 million).

As at December 31, 2019, bank balances of approximately US$716,000 was pledged by Nanjing Jinsirui Biotechnology Co., Ltd. ("**GS China**") for notes payable of approximately US$716,000, and of approximately US$256,000 was pledged by Legend Biotech USA Incorporated ("**Legend USA**") for credit cards.

Save as above, the Group did not have any other charges over its assets as of December 31, 2019.

Current ratio and gearing ratio

As at December 31, 2019, the Group's current ratio (current assets to current liabilities) approximately 2.5 (as at December 31, 2018: 4.4); and gearing ratio (total liabilities to total assets) was approximately 58.1% (as at December 31, 2018: 46.2%).

Bank loans

As at December 31, 2019, GS China borrowed short-term interest-bearing loans from Citi Bank for a total amount of RMB65,968,000 (equivalent to approximately US$9,456,000) with a fixed interest rate at 4.0% at the first half of the Year and at 3.8% at the end of the Year, which were secured by credit. GS China used such loans to purchase raw materials and replenish working capital.

As at December 31, 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 with a floating interest rate at the three-month LIBOR rate plus 0.6%, which were secured by credit. GS HK used such loan to purchase goods and replenish working capital.

As at December 31, 2019, GS JP borrowed a long-term interest-bearing loan from Mizuho Bank for a total amount of JYP250,000,000 (equivalent to approximately US$2,300,000) with a floating interest rate at the TIBOR rate plus 0.25%, which were secured by the buildings and freehold land held by GS JP. GS JP used such a loan to purchase building.

Save as above, the Group did not have any other outstanding, unpaid bank loans and/or other borrowings.

Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. Since January 2019, the Group has entered into a series of forward contracts to manage the Group's currency risk.

Cash flow and fair value interest rate risk

Other than bank balances with variable interest rate and short-term deposits with fixed interest rates, the Group has financial products of approximately US$25.4 million related to fair value interest rate risk.

Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on customers and counterparties. These evaluations focus on the counterparty's financial position and past history of making payments, and they take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty 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 transaction and other receivable balance at the end of the year to ensure that adequate impairment losses are made for irrecoverable amounts.

IMPORTANT EVENTS

In April 2019, The European Medicines Agency ("**EMA**") granted a "PRIority MEdicines" designation to Janssen-Cilag International N.V. for JNJ-68284528("**JNJ-4528**") the investigational B cell maturation antigen (BCMA) chimeric antigen receptor T-cell (CAR-T) therapy, which has been previously identified as LCAR-B38M. The U.S. Food and Drug Administration granted a Breakthrough Therapy Designation ("**BTD**") to Janssen Research & Development, LLC for JNJ-4528. The BTD for JNJ-4528 is based on the Phase 1b CARTITUDE-1 (MMY2001, NCT03548207) study. The initial results from the CARTITUDE-1 study in the United States and the long term follow-up clinical development of the LEGEND-2 study in China were presented at the American Society of Hematology meeting on December 7, 2019 and December 9, 2019. Please refer to the announcements dated April 4, 2019, November 7, 2019, December 8, 2019 and December 9, 2019 for details.

On November 12, 2019, GenScript (Hong Kong) Limited (金斯康(香港)有限公司), the Company's indirect wholly-owned subsidiary, and Zhenjiang Economic and Technological Development Zone Management Committee* 鎮江經濟技術開發區管理委員會 entered into an investment agreement in relation to the investment by the Group into the Jiangsu Genscript Innovative Biological Medicine CMO (Contracted Manufacturing Organization) Project in Zhenjiang Economic and Technical Development Zone* 中國鎮江經濟技術開發區 ("**Zhenjiang New Area**"). Please refer to the announcement dated November 12, 2019 for details.

On December 26, 2019, GenScript (Hong Kong) Limited (金斯康(香港)有限公司), the Company's indirect wholly-owned subsidiary, and Zhenjiang New Area Management Committee* (鎮江新區管理委員會) entered into an investment agreement in relation to the lease of three factories for expanding the scale of the project of the research and development of molecular biology in Zhenjiang New Area. Please refer to the announcement dated December 30, 2019 for details.

By January 2020, the second, third and fourth milestones relating to the clinical trial of LCAR-B38M (JNJ-68284528) in the United States have been achieved according to the terms and conditions of the collaboration and license entered into among Legend USA., Legend Ireland ("**Legend USA/Ireland**") and Janssen. Legend USA/Ireland received milestone payments in the amount of US$25,000,000, US$30,000,000 and US$30,000,000 payable by Janssen for the second, third and fourth milestones, respectively. Please refer to the announcements dated July 28, 2019 and January 28, 2020 for details. Additionally, Legend is eligible to receive further potential milestone payments up to US$125,000,000 for the achievement of specified manufacturing milestones and an additional potential US$1,115,000,000 for the achievement of specified future development, regulatory and sales milestones.

The Company has obtained approval from the Stock Exchange to proceed with the proposed spin-off of Legend Biotech Corporation ("**Legend**"). On March 9, 2020 (New York time), Legend has submitted on a confidential basis to the U.S. Securities and Exchange Commission a draft registration statement to the proposed initial public offering of American depositary shares, representing its ordinary shares. Please refer to the announcements dated March 10, 2020 and March 16, 2020 for details.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The outbreak of the novel coronavirus (COVID-19) in early January 2020 has spread throughout China and to countries across the world. The COVID-19 caused delay on the Group's employees' return to work and has certain impact on the Group's shipping service and customers' on-site audit. The Group will continue to monitor and assess the impact of the ongoing development of the epidemic on the financial position and operating results of the Group and respond accordingly. Up to date of the report, the assessment is still in progress.

PROSPECTS

In the year of 2019, we continued to witness fast paced innovations in personalized and precision medicine and tectonic regulatory changes.

In the year of 2019, the Food and Drug Administration of the United States (the "**FDA**") approved a number of new biologics drugs including Zolgensma, a gene therapy medication used to treat spinal muscular atrophy (SMA). Despite it being one of the most expensive medicines in the world, hundreds of patients had received this treatment since the patients' benefit obviously outweighs the cost. The U.S. Centers for Medicare & Medicaid Services increased the reimbursement for CAR-T cell therapies to allow more patients access to such treatments. The first two CAR-T cell therapy treatments approved by the FDA, Kymriah and Yescarta, combined have generated over US$700 million in 2019.

Encouraged by these successes, a rising number of gene therapy and cell therapy clinical trials are being conducted globally.

The Chinese government has aggressively rolled out policies such as collective bargaining aiming at lowering prices of generic drugs. Although not directly impacting innovative healthcare companies, these policies help to free up payer resources that can be redirect toward more innovative and effective healthcare in the future.

We believe the global regulatory framework is still much favorable for companies that pushing the boundaries of science and technology to provide better healthcare, from which Legend and many of our life science CRO and biologics CDMO customers will continue to benefit. Together with an aging global population, we believe the demands for life science research and preclinical and clinical stage development services will continue to rise in the foreseeable future.

FUTURE DEVELOPMENT STRATEGIES

Looking forward to 2020, the Group continues to optimize research and development, go-to-market and capital allocation strategies:

i. Further investment in research and development, focusing on the following key business areas:

   a) Cell therapies – We will put increasing effort to this space. We aim to develop and gain advanced CAR-T, and other technologies, extend our current autologous platform into allogeneic platform. We intend to target onto hematologic malignancies, solid tumors and infectious diseases;

   b) Biologics CDMO service – We aim to expand the application of our SMAB platform and enhance our ability to provide plasmid and virus production; and

   c) Molecular biology CRO – We will further strengthen our global leading position in gene synthesis through automation and invest in GMP grade diagnostic and therapeutic life sciences products and services.

ii. Further strengthening of the following sales and marketing priorities:

   a) The cell therapy commercial team in the United States and the China markets will continue to prepare for the necessary procedures and certifications as well as have market access meetings with key payers and caregivers with the intention to conduct a global commercial launch of JNJ-4528/LCAR-B38M;

   b) Establish an independent brand "Genscript Probio" for our CDMO business and further strengthen the collaboration with the biotech and biopharma community;

   c) Enhance the penetration into the key accounts for industrial synthetic biology products; and

   d) Leverage our leading position on gene synthesis to drive cross selling of other molecular biology services and products.

iii. Further optimize the capital allocation:

   a) The proposed initial listing of the Legend's shares to provide flexible funding pipeline for Legend's clinical development while retaining the significant upside potential for our existing shareholders;

   b) Using the Group's balance sheet and cash flow to invest in GMP facilities in order to quickly scale our biologics CDMO business; and

   c) Pursuing opportunistic tuck-in acquisitions and investments for cutting-edge technologies as they arise in order to complement the existing internal capacity and to speed up the overall growth of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2019, the Group had a total of approximately 3,738 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, salaries, employees' benefits, responsibilities 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.

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 the 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, being the direct non-wholly owned subsidiary of the Company (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 share options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on The Stock Exchange of Hong Kong (the "**Stock Exchange**").

4,515,000 share options with an exercise price of HK$18.3 per share and 5,885,000 share options with an exercise price of HK$19.132 per share were granted under the Post-IPO Share Option Scheme to certain employees on July 19, 2019 and November 29, 2019, respectively. Please refer to our announcements dated July 19, 2019 and November 29, 2019 for details. Save as disclosed, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

1,048,116 restricted shares and 150,000 restricted shares were granted under the RSA Scheme to certain employees on July 19, 2019 and November 29, 2019, respectively. Please refer to our announcements dated July 19, 2019 and November 29, 2019 for details. Save as disclosed, no other shares have been granted under the RSA Scheme during the Reporting Period.

During the Reporting Period, 3,757,000 share options were granted under the Subsidiary Share Option Scheme.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board did not recommend the payment of final dividend for the year ended December 31, 2019.

CORPORATE GOVERNANCE PRACTICES

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 (the "**CG Code**") contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (as in effect from time to time) as its own code of corporate governance.

Save as the deviation from code provision A.2.1 of the CG Code, the Company has complied with the applicable code provisions as set out in the CG Code during the year ended December 31, 2019, and up to the date of this announcement. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

The Company deviates from this provision because 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 Listing Date. 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 it would ensure that the present structure would not impair the balance of power in the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 incidents 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.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the RSA Scheme purchased on the Stock Exchange a total of 3,512,800 shares of the Company at a total consideration of approximately HK$60,848,824 (equivalent to approximately US$7,800,000) to satisfy the award of shares to selected employees pursuant to the terms of the rules and trust deed of the RSA Scheme.

TOP-UP PLACING

On June 5, 2018, the Company entered into a placing and subscription agreement with Genscript Corporation, one of the controlling shareholders of the Company (the "**Vendor**") and placing agents pursuant to which (i) the Vender completed a placing through placing agents 75,000,000 ordinary shares of the Company to certain placees at the price of HK$26.50 per share, and (ii) the Vender subscribed for an aggregate of 75,000,000 shares of the Company of HK$26.5 per share (the "**Top-up Placing**"). The net proceeds of the Top-up Placing 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.

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

Item	**Unutilized amount as at January 1, 2019** *US$ million*	**Utilized amount during the Reporting Period** *US$ million*	**Unutilized amount as at December 31, 2019** *US$ million*	**Intended year of application**
Building up CAR-T R&D and production facility in China, the US and Europe	100.7	42.7	58.0	2020 to 2021
Global team building for the Group's talent program and CAR-T therapies, including regulatory, R&D, production and commercialization	19.0	19.0	–	–
Building up the GMP manufacturing facilities for plasmid and biologics products	72.4	8.7	63.7	2020 to 2021
General working capital purpose	26.3	26.3	–	–
Total	218.4	96.7	121.7	

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**"). The Audit Committee currently comprises three members, namely, Mr. Dai Zumian (chairman of the Audit Committee), Mr. Pan Jiuan and Mr. Guo Hongxin, all being independent non-executive Directors. The principal duties of the Audit Committee are (i) to review and monitor the Company's financial reporting system, risk management and internal control systems, (ii) to maintain the relations with the external auditor of the Company, and (iii) to review the financial information of the Company.

The Audit Committee has, together with the management and external auditors, reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended December 31, 2019.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**AGM**") of the Company is scheduled to be held on Monday, June 1, 2020. A notice convening the AGM will be issued and disseminated to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders to attend and vote at the AGM to be held on Monday, June 1, 2020, the register of members of the Company will be closed from Wednesday, May 27, 2020 to Monday, June 1, 2020 (both dates inclusive), during which period no transfer of shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, May 26, 2020.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2019 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.genscript.com), and the 2019 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, March 27, 2020

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

* *For identification purposes only*