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Genscript Biotech Corporation
金斯瑞生物科技股份有限公司 *
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1548)

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

INTERIM RESULTS HIGHLIGHTS

- Revenue of the Group for the six months ended June 30, 2020 was approximately US$166.4 million, representing an increase of 36.5% as compared with approximately US$121.9 million recorded for the same period of 2019, among which, the external revenue for non-cell therapy business was approximately US$143.3 million, representing an increase of 41.6% as compared with approximately US$101.2 million for the same period of 2019, and the revenue for cell therapy business was approximately US$23.1 million, representing an increase of 11.6% as compared with approximately US$20.7 million for the same period of 2019.

- Gross profit of the Group for the six months ended June 30, 2020 was approximately US$108.2 million, representing an increase of 37.1% as compared with approximately US$78.9 million recorded for the same period of 2019, among which, the gross profit of non-cell therapy business was approximately US$95.4 million, representing an increase of 48.8% as compared with approximately US$64.1 million for the same period of 2019, and the gross profit of cell therapy business was approximately US$23.1 million, representing an increase of 11.6% as compared with approximately US$20.7 million for the same period of 2019.

- Loss of the Group for the six months ended June 30, 2020 was approximately US$160.5 million, whilst loss of approximately US$33.3 million was recorded for the same period of 2019, among which, the profit of non-cell therapy business was approximately US$18.6 million, representing an increase of 151.4% as compared with approximately US$7.4 million for the same period of 2019, and the loss of cell therapy business was approximately US$179.1 million, whilst the loss of the cell therapy business was approximately US$40.7 million for the same period of 2019.

  The adjusted net loss (excluding share based payment expenses, listing expenses, service fee for the issuance of Legend Series A Preference Shares (as defined below) and fair value loss of convertible redeemable preferred shares) was approximately US$67.8 million, whilst the adjusted net loss of approximately US$28.0 million was recorded for the same period in 2019, among which, the adjusted net profit of non-cell therapy business was approximately US$25.2 million, representing an increase of 110.0% as compared with approximately US$12.0 million for the same period of 2019, and the adjusted net loss of cell therapy business was approximately US$93.0 million, whilst the adjusted net loss of the cell therapy business was approximately US$40.0 million for the same period of 2019.

  During the Reporting Period, the Group invested significantly into research and development activities as well as talent recruitment, and both of which are key drivers for a sustainable business growth in the long run. For the six months ended June 30, 2020, the Group's research and development expense was approximately US$115.5 million, representing an increase of 83.9% as compared with approximately US$62.8 million for the same period in 2019, in which the total investment in research and development was approximately US$101.6 million on cell therapy for the six months ended June 30, 2020, representing an increase of 88.5% as compared with approximately US$53.9 million for the same period of 2019.

- Loss attributable to the shareholders of the Group for the six months ended June 30, 2020 was approximately US$113.1 million, whilst the loss attributable to the shareholders of the Group of approximately US$27.3 million was recorded for the same period of 2019.

*Note: The figures for segment results in this announcement are prior to intra-group eliminations (except otherwise indicated), whereas the figures for segment results in the announcement of unaudited condensed consolidated interim results for the six months ended June 30, 2019 of the Company dated August 28, 2019 (the "**Previous Announcement**") were after intragroup eliminations representing sales to external customers only (expected otherwise indicated). Certain comparable figures that were presented in the Previous Announcement have been adjusted in this announcement to conform to the current period's presentation accordingly.*

The board (the "**Board**") of directors (the "**Directors**") of Genscript Biotech Corporation (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2020 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2019 are as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended June 30,	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***US$'000***	*US$'000*
REVENUE	*4*	**166,394**	121,878
Cost of sales		**(58,221)**	(42,979)
Gross profit		**108,173**	78,899
Other income and gains	*4*	**12,999**	8,594
Selling and distribution expenses		**(41,059)**	(30,961)
Administrative expenses		**(36,365)**	(26,166)
Research and development expenses		**(115,451)**	(62,836)
Fair value loss of convertible redeemable preferred shares		**(79,984)**	—
Finance costs		**(4,510)**	(387)
Other expenses		**(1,969)**	(3,064)
Share of losses of associates		**(314)**	(139)
Reversal of/(provision provided for) impairment losses on financial assets, net		**433**	(559)
LOSS BEFORE TAX	*5*	**(158,047)**	(36,619)
Income tax (expense)/credit	*6*	**(2,462)**	3,284
LOSS FOR THE PERIOD		**(160,509)**	(33,335)
Attributable to:			
Owners of the parent		**(113,092)**	(27,346)
Non-controlling interests		**(47,417)**	(5,989)
		(160,509)	(33,335)

	Notes	For the six months ended June 30, 2020 (Unaudited) US$'000	2019 (Unaudited) US$'000
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
— Basic		**(US6.01cents)**	(US1.48cents)
— Diluted		**(US6.01cents)**	(US1.48cents)

Note:

	For the six months ended June 30, 2020 (Unaudited)		
	Non-cell therapy *US$'000*	**Cell therapy** *US$'000*	**Total** *US$'000*
Net profit/(loss)	**18,595**	**(179,104)**	**(160,509)**
Excluding: Share based payment expenses, net of tax	**6,559**	**668**	**7,227**
Listing expenses	**24**	**1,439**	**1,463**
Service fee for the issuance of Legend Series A Preference Shares	**—**	**4,014**	**4,014**
Fair value loss of convertible redeemable preferred shares	**—**	**79,984**	**79,984**
Adjusted net profit/(loss)	**25,178**	**(92,999)**	**(67,821)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	US$'000	US$'000
LOSS FOR THE PERIOD	**(160,509)**	(33,335)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,935)**	(711)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(4,935)**	(711)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**—**	61
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**—**	61
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(4,935)**	(650)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(165,444)**	(33,985)
Attributable to:		
Owners of the parent	**(117,673)**	(28,163)
Non-controlling interests	**(47,771)**	(5,822)
	(165,444)	(33,985)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at June 30, 2020 (Unaudited)** ***US$'000***	As at December 31, 2019 (Audited) *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**280,004**	235,986
Advance payments for property, plant and equipment		**5,936**	8,585
Investment properties		**7,472**	7,442
Right-of-use assets		**32,173**	29,642
Goodwill		**15,207**	15,245
Other intangible assets		**27,352**	25,482
Investments in associates		**2,504**	2,615
Financial assets at fair value through profit or loss	*10*	**5,568**	4,667
Deferred tax assets		**3,949**	5,701
Total non-current assets		**380,165**	335,365
CURRENT ASSETS			
Inventories		**24,179**	19,855
Trade and notes receivables	*11*	**63,211**	73,067
Prepayments, other receivables and other assets		**37,750**	31,621
Financial assets at fair value through profit or loss	*10*	**49,429**	25,434
Pledged short-term deposits	*12*	**3,142**	972
Loans to an associate		**2,189**	2,007
Time deposits	*12*	**173,050**	148,693
Cash and cash equivalents	*12*	**706,693**	252,397
Total current assets		**1,059,643**	554,046

	Notes	As at June 30, 2020 (Unaudited) US$'000	As at December 31, 2019 (Audited) US$'000
CURRENT LIABILITIES			
Trade and bills payables	13	**22,733**	17,627
Other payables and accruals	14	**123,932**	125,035
Dividends payable	7	**14,879**	—
Interest-bearing bank loans	15	**48,563**	17,008
Lease liabilities		**2,353**	1,769
Tax payable		**3,555**	2,846
Contract liabilities	16	**62,583**	60,130
Government grants		**88**	90
Total current liabilities		**278,686**	224,505
NET CURRENT ASSETS		**780,957**	329,541
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,161,122**	664,906
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	15	**1,487**	1,748
Lease liabilities		**6,106**	3,608
Deferred tax liabilities		**7,699**	5,582
Contract liabilities	16	**256,749**	277,827
Government grants		**3,630**	3,843
Total non-current liabilities		**275,671**	292,608
NET ASSETS		**885,451**	372,298
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	**1,918**	1,879
Treasury shares	17	**(17,234)**	(7,774)
Reserves		**958,677**	388,699
		943,361	382,804
Non-controlling interests		**(57,910)**	(10,506)
TOTAL EQUITY		**885,451**	372,298

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The Group is a life sciences research and application service and product provider. Its services and products include (i) life science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy.

These interim condensed consolidated financial statements are presented in US dollars (US$), unless otherwise stated, and were approved for issue by the Board on 29 August 2020.

2. BASIS OF PREPARATION

2.1. Basis of preparation

The interim condensed consolidated financial information for the six months ended June 30, 2020 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

2.2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The adoption of the revised standards has no significant financial effect to the Group's interim condensed consolidated financial information.

3. SEGMENT INFORMATION

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

(a) The life science services and products unit provides comprehensive research services and products, which are widely used and are fundamental to life sciences research and application;

(b) The biologics development services unit provides comprehensive services aimed to help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies, and gene/cell therapy products with an integrated platform;

(c) The industrial synthetic biology products unit provides industrial enzyme development and production through non-pathogenic microbial strains constructed using genetic engineering;

(d) The cell therapy unit discovers and develops innovative CAR-T therapies for the treatment of liquid and solid tumors; and

(e) The operation unit mainly provides shared services to other segments.

The segment information for the six months ended June 30, 2020 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*	Operation unit *US$'000*	Eliminations *US$'000*	Total *US$' 000*
Segment revenue							
Sales to external customers	**113,329**	**18,662**	**11,070**	**23,146**	**187**	**—**	**166,394**
Intersegment sales	**1,656**	**312**	**170**	**—**	**9,590**	**(11,728)**	**—**
Total revenue	**114,985**	**18,974**	**11,240**	**23,146**	**9,777**	**(11,728)**	**166,394**
Segment cost of sales	**36,966**	**14,274**	**6,951**	**—**	**1,383**	**(1,353)**	**58,221**
Segment result	**78,019**	**4,700**	**4,289**	**23,146**	**8,394**	**(10,375)**	**108,173**

	Life science services and products *US$'000*	Biologics development services *US$'000*	Industrial synthetic biology products *US$'000*	Cell therapy *US$'000*	Operation unit *US$'000*	Eliminations *US$'000*	Total *US$' 000*
Other income and gains	—	—	635	3,796	8,678	(110)	12,999
Selling and distribution expenses	(20,929)	(2,472)	(1,531)	(16,102)	(100)	75	(41,059)
Administrative expenses	(4,805)	(1,186)	(1,479)	(7,938)	(28,473)	7,516	(36,365)
Research and development expenses	(11,011)	(3,604)	(2,050)	(101,570)	—	2,784	(115,451)
Fair value loss of convertible redeemable preferred shares	—	—	—	(79,984)	—	—	(79,984)
Finance costs	—	—	(119)	(4,079)	(312)	—	(4,510)
Other expenses	—	—	(31)	(82)	(1,966)	110	(1,969)
Share of losses of associates	—	—	—	—	(314)	—	(314)
Reversal of impairment losses on financial assets, net	294	30	109	—	—	—	433
Profit/(loss) before tax	41,568	(2,532)	(177)	(182,813)	(14,093)	—	(158,047)
Income tax (expense)/credit	—	—	(335)	3,709	—	—	3,374
Unallocated income tax expense	—	—	—	—	—	—	(5,836)
Profit/(loss) for the period	41,568	(2,532)	(512)	(179,104)	(14,093)	—	(160,509)

The segment information for the six months ended June 30, 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*	Operation unit *US$'000*	Eliminations *US$'000*	Total *US$' 000*
Segment revenue							
Sales to external customers	81,143	9,300	10,756	20,679	—	—	121,878
Intersegment sales	1,062	67	1,460	14	5,713	(8,316)	—
Total revenue	82,205	9,367	12,216	20,693	5,713	(8,316)	121,878
Segment cost of sales	29,896	6,281	8,549	—	663	(2,410)	42,979
Segment result	52,309	3,086	3,667	20,693	5,050	(5,906)	78,899
Other income and gains	—	—	465	4,073	4,056	—	8,594
Selling and distribution expenses	(18,720)	(1,072)	(2,127)	(7,786)	(1,385)	129	(30,961)
Administrative expenses	(3,917)	(837)	(1,172)	(2,712)	(21,617)	4,089	(26,166)
Research and development expenses	(5,520)	(3,245)	(1,830)	(53,929)	—	1,688	(62,836)
Finance costs	—	—	(196)	(57)	(134)	—	(387)
Other expenses	—	—	(34)	(625)	(2,405)	—	(3,064)
Share of losses of associates	—	—	—	—	(139)	—	(139)
Provision provided for impairment losses on financial assets, net	(499)	(41)	(19)	—	—	—	(559)
Profit/(loss) before tax	23,653	(2,109)	(1,246)	(40,343)	(16,574)	—	(36,619)
Income tax (expense)/credit	—	—	219	(336)	—	—	(117)
Unallocated income tax credit	—	—	—	—	—	—	3,401
Profit/(loss) for the period	23,653	(2,109)	(1,027)	(40,679)	(16,574)	—	(33,335)

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of services provided and goods sold, after allowances for returns and trade discounts during the Reporting Period.

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

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenue		
Revenue from contracts with customers	**166,131**	121,878
Revenue from other sources:		
Gross rental income from operating leases	**263**	—
	166,394	121,878
Other income and gains		
Government grants	**7,267**	3,129
Bank interest income	**2,870**	5,391
Investment income	**1,442**	—
Foreign currency exchange gain, net	**1,257**	—
Others	**163**	74
	12,999	8,594

5. LOSS BEFORE TAX

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

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Cost of inventories sold	**7,367**	2,691
Cost of services provided	**22,262**	15,860
Depreciation of right-of-use assets	**1,412**	827
Depreciation of items of property, plant and equipment	**11,307**	7,305
Depreciation of investment properties	**60**	105
Amortization of other intangible assets	**1,273**	890
(Reversal of)/provision provided for impairment of trade receivables, net	**(433)**	559
Lease payments not included in the measurement of lease liabilities	**489**	606
Auditors' remuneration	**100**	108
Employee benefit expense (excluding directors' remuneration):		
Wage and salaries	**87,533**	60,919
Pension scheme contributions (defined contribution schemes)	**2,884**	6,798
Equity-settled share option expense	**7,371**	5,204
	97,788	72,921
Research and development costs	**80,634**	42,304
Loss on disposal of items of property, plant and equipment	**901**	88
Exchange differences, net	**(1,257)**	2,450
Listing expense	**1,463**	—
Service fee for the issuance of Legend Series A Preference Shares	**4,014**	—
Fair value loss of convertible redeemable preferred shares	**79,984**	—
(Reversal of write-down of)/write-down of inventories to net realizable value	**(143)**	310

6. INCOME TAX

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current income tax (credit)/expense		
Charge for the period	**2,352**	1,186
Under-provision/(Overprovision) in prior periods	**448**	(63)
Tax refund	**(3,709)**	—
Deferred income tax expense/(credit)	**3,371**	(4,407)
Total tax charge/(credit) for the period	**2,462**	(3,284)

7. DIVIDENDS

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Dividends on ordinary shares during the period	**14,879**	—

On 5 June 2020, the Board declared a special dividend to the shareholders of the Company in connection with the spin-off and the separate listing of Legend Biotech Corporation on the Nasdaq Global Market.

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the Reporting Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,883,243,651 (for the six months ended June 30, 2019: 1,845,794,313) in issue during the Reporting Period.

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

The calculations of basic and diluted loss per share are based on:

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(113,092)**	(27,346)

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the period	**1,888,677,605**	1,845,915,562
Effect of share repurchased	**(5,433,954)**	(121,249)
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**1,883,243,651**	1,845,794,313

The diluted loss per share is the same as the basic loss per share because the effect of share option is anti-dilutive for the six months ended June 30, 2020 and 2019.

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended June 30, 2020, the Group acquired items of property, plant and equipment with a cost of approximately US$50,439,000 (for the six months ended June 30, 2019: approximately US$52,121,000).

Assets with a net book value of approximately US$2,483,000 were disposed of by the Group during the six months ended June 30, 2020 (for the six months ended June 30, 2019: approximately US$89,000), resulting in a net loss on disposal of approximately US$901,000 (for the six months ended June 30, 2019: approximately US$88,000).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Financial assets at fair value through profit or loss		
Unlisted equity investments, at fair value	**5,568**	4,667
Investment in financial products, at fair value	**49,429**	25,434
	54,997	30,101

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

11. TRADE AND NOTES RECEIVABLES

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Trade receivables	**63,766**	74,107
Notes receivable	**3,448**	3,396
	67,214	77,503
Less: Impairment of trade receivables	**(4,003)**	(4,436)
	63,211	73,067

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

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Within 3 months	**54,298**	68,034
3 months to 6 months	**4,031**	1,585
6 months to 12 months	**2,088**	2,145
Over one year	**3,349**	2,343
	63,766	74,107
Less: impairment of trade receivables	**(4,003)**	(4,436)
	59,763	69,671

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Cash and bank balances	**706,693**	252,397
Time deposits	**173,050**	148,693
Pledged short-term deposits	**3,142**	972
	882,885	402,062
Less: Pledged for credit cards	**(256)**	(256)
Pledged for bills payable	**(2,886)**	(716)
Time deposits	**(173,050)**	(148,693)
Cash and cash equivalents	**706,693**	252,397

13. TRADE AND BILLS PAYABLES

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Trade payables	**19,435**	14,559
Bills payable	**3,298**	3,068
	22,733	17,627

As at June 30, 2020 and December 31, 2019, the ageing analysis of the trade payables based on the invoice date, is as follows:

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Within 3 months	**18,646**	13,666
3 months to 6 months	**415**	678
6 months to 12 months	**197**	105
Over 1 year	**177**	110
	19,435	14,559

Trade payables are not interest-bearing and are normally settled on 60 to 90 days terms.

14. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Payables for purchases of machinery and construction of buildings	**33,156**	32,560
Accrued payroll	**25,890**	23,210
Accrued expenses	**42,223**	64,740
Other payables	**18,983**	3,327
Taxes payable other than corporate income tax	**3,680**	1,198
	123,932	125,035

15. INTEREST-BEARING BANK LOANS

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Bank Loans		
Secured	**2,045**	2,300
Unsecured	**48,005**	16,456
	50,050	18,756
Analysed into:		
Bank loans repayable:		
Within 1 year	**48,563**	17,008
1 to 2 years	**558**	552
2 to 5 years	**929**	1,196
	50,050	18,756
Portion classified as current liabilities	**48,563**	17,008
Non-current portion	**1,487**	1,748

16. CONTRACT LIABILITIES

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Non-current		
License and collaboration revenue	**256,749**	277,827
Current		
License and collaboration revenue	**44,334**	46,294
Rendering of services	**12,805**	13,403
Sales of products	**5,444**	433
	319,332	337,957

Contract liabilities are recognized as revenue upon the Group satisfying its performance obligations under the agreement.

17. SHARE CAPITAL AND SHARE PREMIUM

Shares

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Authorized:		
Ordinary shares (of US$0.001 each)	**5,000**	5,000
Issued and fully paid:		
Ordinary shares (of US$0.001 each)	**1,918**	1,879

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, 2020	**1,878,376,650**	**1,879**	**(7,774)**	**368,781**	**362,886**
Issue of ordinary shares for initial public offering of Legend Cayman	**—**	**—**	**—**	**690,520**	**690,520**
Shares repurchased	**—**	**—**	**(9,460)**	**—**	**(9,460)**
Dividend declared	**—**	**—**	**—**	**(14,879)**	**(14,879)**
Exercise of share options	**39,546,136**	**39**	**—**	**6,288**	**6,327**
At June 30, 2020 (unaudited)	**1,917,922,786**	**1,918**	**(17,234)**	**1,050,710**	**1,035,394**

POSITIONING OF THE COMPANY

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

The Group has been inspired by the mission "Make People and Nature Healthier through Biotechnology" since it was founded 18 years ago. Our clients' business need is the Group's first priority and the ultimate cornerstone for pursuing its long term development. We have been improving our clients' competitiveness through providing our superior quality, fast-delivery and cost-effective services and products. Internally, we focus on performing continuous management reform in streamlining our operational workflows and procedures with the aim to strive for the highest quality of end-to-end delivery. Externally, we actively promote the value of strategic collaboration with business partners with the vision to build up a healthy biotech eco-system. We would like to contribute more of our efforts to speed up the evolution of the whole biotech and biopharma industries, to realize multi-win among all the participating partners in this industry.

The Group's business operations span over 100 countries worldwide with our legal entities located in the United States, Mainland China, Hong Kong, Japan, Singapore, Netherlands and Ireland. Our professional workforce has increased to approximately 3,973 headcounts as at June 30, 2020.

The life science services and products segment (CRO platform) is 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 interaction with global life science research community. Our services and products have been cited in over 51,000 international peer reviewed journal articles as at June 30, 2020.

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 Good Manufacturing Practice ("**GMP**") capabilities during the Reporting Period. GMP facilities are under construction according to our strategic plan with phase by phase delivery of discovery, development, and medium to large scale of manufacturing capacity to meet demands from 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, ciltacabtagene autoleucel (ciltacel; LCAR-B38M CAR-T cells), 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 ("**MM**"). Our clinical results achieved to date demonstrate that LCAR-B38M/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. Janssen remains on track to initiate a Biologic License Application ("**BLA**") filing for ciltacabtagene autoleucel to the U.S. Food and Drug Administration by the end of 2020 and also expects that a Marketing Authorization Application will be submitted to the European Medicines Agency in early 2021. Our new pipeline CAR-T programs have been under active development, and Legend intends to submit an investigational new drug ("**IND**") application for LB1901 in relapsed or refractory T cell Lymphoma in the second half of 2020. Legend was listed on Nasdaq Global Market on June 5, 2020.

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

During the Reporting Period, all non-cell therapy business units have achieved external sales growth. The group invested significantly in talent pool and research and development to improve our technical competitiveness. We are very confident that our persistent investments into technology and management reforms and streamlining will be paid off and enable us to achieve a better future ultimately.

BUSINESS REVIEW

For the six months ended June 30, 2020, the Group's overall revenue increased by 36.5% to approximately US$166.4 million (the same period in 2019: approximately US$121.9 million). Gross profit was approximately US$108.2 million, representing an increase of 37.1% from approximately US$78.9 million for the same period in 2019. Gross profit margin increased to 65.0% (the same period in 2019: 64.7%). The loss attributable to the shareholders of the Company (the "**Shareholders**") was approximately US$113.1 million, whilst the loss attributable to the Shareholders of approximately US$27.3 million was recorded for the same period of 2019.

During the Reporting Period, the external revenue of (i) life science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, (iv) cell therapy, and (v) operation unit accounted for approximately 68.1%, 11.2%, 6.7%, 13.9%, and 0.1%, respectively, of the total revenue of the Group.

Results Analysis of the Four Business Segments

Life Science Services and Products

During the Reporting Period, revenue of life science services and products amounted to approximately US$115.0 million, representing an increase of 39.9% (the same period in 2019: approximately US$82.2 million. The gross profit was approximately US$78.0 million, representing an increase of 49.1% as compared with approximately US$52.3 million for the same period in 2019. The gross profit margin maintained stable, with a slight increase from 63.6% for the same period last year to 67.8% this year. During the Reporting Period, the operating profit of life science services and products was approximately US$41.6 million.

The growth of revenue was mainly attributable to the (i) successful commercial operation that focused on COVID-19 related products such as protein and antibody, (ii) expanded capacity and productivity in gene synthesis and customized reagent services, (iii) the successful development of key accounts, and (iv) the improvement of online commercial platform and tools to attract new customers. The increase in operating profit was primarily attributable to (i) the significant revenue driven from COVID-19 related products and key customers with relatively higher profitability, (ii) the continuous improvement of operation efficiency in both commercial and management team, while partially offset by the increased investment in strategic research and development.

Biologics Development Services

During the Reporting Period, revenue of biologics development services amounted to approximately US$19.0 million, representing an increase of 102.1% (the same period in 2019: approximately US$9.4 million). The gross profit was approximately US$4.7 million, representing an increase of 51.6% as compared with approximately US$3.1 million for the same period in 2019. The gross profit margin varied from 33.0% for the same period last year to 24.7% this year. During the Reporting Period, the operating loss of biologics development services was approximately US$2.5 million.

The rapid growth of revenue was mainly attributable to the (i) establishment of Good Manufacturing Practice ("**GMP**") capacity in both antibody development and plasmid and virus process, (ii) successful commercial operation in both the China and Asia-Pacific market, (iii) fast growing talent pool and introduction of senior management teams for sales and marketing teams, and (iv) enhancement of the capability and process to support the successful delivery of the ongoing projects. The operating loss was primarily attributable to the (i) lower gross profit due to significant fixed cost such as quality system and talent pool, etc. at early stage of business set up period, and (ii) significant investment in commercial and senior management team.

Industrial Synthetic Biology Products

During the Reporting Period, revenue for industrial synthetic biology products decreased by 8.2% to approximately US$11.2 million (the same period in 2019: approximately US$12.2 million). External revenue for industrial synthetic biology products increased by 2.9% from the same period in 2019. The gross profit was approximately US$4.3 million, representing an increase of 16.2% as compared with approximately US$3.7 million for the same period in 2019. Gross profit margin increased from 30.3% for the same period last year to 38.4% this year. During the Reporting Period, the operating loss of industrial synthetic biology products was approximately US$0.2 million.

The growth of the revenue was mainly attributable to the (i) continuous strategic implementation of key accounts business development and significant breakthroughs in both overseas and domestic feed enzymes markets and grain processing business in China, providing customized service to strategic accounts in strain development, process development and new enzymes products development, and (ii) further optimization of the organization structure and significant improvement of business capability of commercial team.

Cell Therapy

During the Reporting Period, revenue of cell therapy increased by 11.6% to approximately US$23.1 million (the same period in 2019: approximately US$20.7 million). The gross profit was approximately US$23.1 million, representing an increase of 11.6% as compared with approximately US$20.7 million for the same period in 2019. Gross profit margin maintained at 100.0% this year as well. During the Reporting Period, the operating loss of cell therapy was approximately US$182.8 million.

The increase in both revenue and gross profit was primarily attributable to further recognition of contract revenue from the collaboration with Janssen on developing LCAR-B38M/JNJ-4528.

FINANCIAL REVIEW

	For the six months ended June 30,		
	2020	2019	Change
	(Unaudited)	(Unaudited)	
	US$'000	*US$'000*	
Revenue	**166,394**	121,878	36.5%
Gross profit	**108,173**	78,899	37.1%
Net loss	**(160,509)**	(33,335)	381.5%
Loss attributable to the Shareholders	**(113,092)**	(27,346)	313.6%
Basic loss per share *(US$)*	**(0.0601)**	(0.0148)	306.1%
Diluted loss per share *(US$)*	**(0.0601)**	(0.0148)	306.1%

Revenue

During the Reporting Period, the Group recorded revenue of approximately US$166.4 million, representing an increase of 36.5% from approximately US$121.9 million for the same period of 2019. This is mainly attributable (i) the strong growth in business of specially-functioned protein and antibody which meet market demands on key products related to COVID-19, and (ii) the continuing increase from life science services and products from major strategic customers and new competitive services and products.

Gross profit

During the Reporting Period, the Group's gross profit increased by 37.1% to approximately US$108.2 million from approximately US$78.9 million for the same period of 2019. Gross profit margin varied from 64.7% for the same period last year to 65.0% this year. This is mainly attributable to the (i) strong growth in life-science and biologics development business, (ii) significant improvement on capacity utilization of materials and labor efficiency, (iii) increased revenue of relatively high gross margin products, especially for COVID-19 related products, and (iv) significant improvement of operational efficiency.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses increased by 32.6% to approximately US$41.1 million from approximately US$31.0 million for the same period in 2019. This increase is mainly driven by (i) increased investment into the commercial talent pool by recruiting more experienced personnel and improved incentive packages, and (ii) increased travelling and advertising expenses, primarily attributable to the global expansion of our business.

Administrative expenses

During the Reporting Period, the administrative expense increased by 38.9% to approximately US$36.4 million from approximately US$26.2 million for the same period in 2019. This is mainly attributable to (i) competitive compensation package for our employees including shared-based payment provided to recruit experienced talents for all business segments, and (ii) the reinforcement of some key functions such as information technology, supply chain and finance to build up capable and professional administrative team to support the Group's overall business expansion.

Research and development expenses

During the Reporting Period, the research and development expenses increased by 83.9% to approximately US$115.5 million from approximately US$62.8 million for the same period in 2019. This is mainly attributable to (i) the investment in COVID-19 related projects and other new challenging research and development projects, which significantly strengthened our competitiveness in the market and improved our production efficiency, (ii) the increase in clinical trial expenses and preclinical study costs, especially in cell therapy segment, and (iii) the increase in compensation package including shared-based payment for research and development personnel.

Fair Value Changes of Convertible Redeemable Preferred Shares

Changes in the fair value of our convertible redeemable preference shares of Legend (the "**Legend Series A Preference Shares**") were recorded as fair value changes of convertible redeemable preferred shares. During the Reporting Period, the fair value changes of the Legend Series A Preference Shares recorded a loss of approximately US$80.0 million as compared with nil for the same period in 2019, primarily due to the revaluation of equity value of Legend based on its offering price. Upon the completion of the listing of Legend, all our Legend Series A Preference Shares were automatically converted into ordinary shares of Legend. The fair value of each of the Legend Series A Preference Shares is equivalent to the fair value of each of the ordinary shares of Legend on the conversion date, which is the public offering price. For details of the automatic conversion, please refer to the announcements of the Company dated March 31, 2020 and April 14, 2020.

Income tax (expense)/credit

During the Reporting Period, the income tax expense was approximately US$2.5 million in 2020 whilst the income tax credit was approximately US$3.3 million in 2019, mainly because of the increase in profits of the non-cell therapy business.

Net loss

During the Reporting Period, net loss of the Group was approximately US$160.5 million, whilst the net loss for the same period of 2019 was approximately US$33.3 million.

Significant investments held

As at June 30, 2020, significant investments held by the Group are as follows:

	As at June 30, 2020 (Unaudited) *US$'000*	As at December 31, 2019 (Audited) *US$'000*
Financial assets at fair value through profit or loss		
— Current	**49,429**	25,434
— Non-current	**5,568**	4,667
Total	**54,997**	30,101

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 CMBI Multi-Tranche Bond Fund, Goldman Sachs US$ Liquid Reserves Plus I Acc Shares, Supply Chain Finance Fund and structured deposits, were with floating annual interests ranging from 0.57% to 6.3% and with maturity dates between 1 day and 365 days. These products did not guarantee the return of principals upon maturity, and none of them was past due or impaired as of June 30, 2020, except those call option or forward exchange transactions. As of June 30, 2020, the Group has redeemed those wealth management products whose due date were arrived and has no intention to dispose of all the investments in the long-term.

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

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

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

During the Reporting Period, we only invested in wealth management products issued by major reputable banks in China and Hong Kong, and we preserved all our investment capital in these products and did not encounter any default by the issuing banks. We had not invested and are prohibited under our internal control policies, from directly investing in listed financial product, and our investments had not been pledged to secure our borrowings during the period ended June 30, 2020.

Information in relation to the current part of financial assets at fair value through profit or loss as at June 30, 2020 are set out as follows:

Banks	Product type/ description	Original amount In RMB or US$	Investment Cost In US$' 000	Fair value as of June 30, 2020 In US$' 000	Purchase date	Maturity date	Redemption date
1 China Merchants Bank	Variable interest financial product	RMB124,390,000	17,570	17,695	01/08/2020	On Call	N/A
2 Credit Suisse AG, Hong Kong Branch	Premium Cash Plus (Pure FRNs) USD	USD10,000,000	10,000	9,966	02/12/2019	On Call	Partially redeemed on 06/30/2020
3 China Merchants Bank	Variable interest financial product	RMB40,000,000	5,650	5,663	05/29/2020	On Call	N/A
4 Citibank Hong Kong	USD3 Year Notes Linked to the GAM Star Credit Opportunities Fund	USD5,075,000	5,075	5,075	03/13/2020	03/16/2023	—
5 CMB International Capital Corporation Limited	CMBI MULTI-TRANCHE BOND FUND	USD5,000,000	5,000	5,063	02/03/2020	On Call	N/A
6 China CITIC Bank	Variable interest financial product	RMB25,000,000	3,531	3,565	04/01/2020	07/01/2020	07/01/2020
7 Bank of Communications	Variable interest financial product	RMB20,000,000	2,825	2,852	03/31/2020	On Call	N/A
8 Citibank, N.A.	Forward Exchange Transaction	—	—	(46)	03/19/2020	12/22/2020	—
9 Bank of Ningbo	Write a Call Option	—	—	(404)	02/21/2020	12/23/2020	—
Total:			49,651	49,429			

Information in relation to the non-current part of financial assets at fair value through profit or loss as at June 30, 2020 are set out as follows:

Name of investee company/fund	Principal business or investment scope	Nature of investment	Number of shares/ units/ amount of investments held	Percentage of total share capital/units owned by the Group as at June 30, 2020	Investment Cost	Market value as at June 30, 2020	Percentage to the Group's total assets as at June 30, 2020	Realised gain on change in fair value for the period ended June 30, 2020	Unrealised gain/(loss) on change in fair value for the period ended June 30, 2020	Dividends received for the period ended June 30, 2020
				%	*US$' 000*	*US$' 000*	%	*US$' 000*	*US$' 000*	*US$' 000*
Healthcare Fund I Segregated Yuanming Prudence SPC — Portfolio	Equity investment	Investment in fund/ securities	486.43	0.28	500	500	0.03	—	—	—
Panacea Venture Healthcare Fund I, L.P.	Equity investment	Investment in fund/ securities	Not applicable	5.54	5,712	5,068	0.35	—	(488)	—

(Note) Given the value of investments does not constitute a notifiable transaction of the Company pursuant to Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**"), as the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules), whether on a standalone or aggregate basis, are less than 5.0% of the total assets of the Group as of June 30, 2020, 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 approximately US$1,442,000 and a fair value loss at approximately US$736,000.

Save as disclosed above, the Group did not have any significant investments held during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS

On March 31, 2020 and April 16, 2020, the deemed disposals of the Company's equity interest in Legend were completed (the "**Closing**"). The Closing resulted in a reduction of the percentage shareholding of the Company in Legend and constitutes a deemed disposal of the Company's equity interests in Legend under Rule 14.29 of the Listing Rules. Please refer to the announcements dated March 31, 2020, April 14, 2020 and April 16, 2020 for details.

The spin-off by way of a separate listing of Legend on Nasdaq Global Market through the initial public offering of the ordinary shares of Legend in the form of American depositary shares was completed on June 5, 2020 (the "**Offering**"). The Offering resulted in a reduction of the percentage shareholding of the Company in Legend and constitutes a deemed disposal of the Company's equity interests in Legend under Rule 14.29 of the Listing Rules. Please refer to the announcements dated March 10, 2020, March 16, 2020, May 14, 2020, May 26, 2020, and May 29, 2020, June 5, 2020 and June 7, 2020 for details.

Legend remains a non-wholly owned subsidiary of the Company and the financial results of Legend continues to be consolidated into the financial statements of the Group.

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

Contingent liabilities and guarantees

As at June 30, 2020, the Group did not have any contingent liabilities or guarantees.

Current ratio and gearing ratio

As at June 30, 2020, the Group's current ratio (current assets to current liabilities) was approximately 3.8 (as at December 31, 2019: 2.5), and gearing ratio (total liabilities to total assets) was approximately 38.5% (as at December 31, 2019: 58.1%).

Bank loans

As at June 30, 2020, Nanjing Jinsirui Biotechnology Co., Ltd. ("**GS China**") borrowed short-term interest-bearing loans from Citi Bank for a total amount of RMB57,820,000 (equivalent to approximately US$8,167,000) and from China Merchants Bank for a total amount of RMB100,000,000 (equivalent to approximately US$14,125,000) with a fixed annual interest rate at 3.4% and 3.5% respectively, which were secured by credit. GS China used such loans to purchase raw materials and replenish working capital.

As at June 30, 2020, Nanjing Bestzyme Bioengineering Co., Ltd. ("**Nanjing Bestzyme**") and Jiangsu Genscript Biotech Co., Ltd ("**Jiangsu Jinsirui**") borrowed short-term interest-bearing loans from CITIC Bank for a total amount of RMB90,000,000 (equivalent to approximately US$12,713,000) with a fixed annual interest rate at 3.2%, which were secured by credit. Nanjing Bestzyme and Jiangsu Jinsirui used such loans to purchase raw material and replenish working capital.

As at June 30, 2020, 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 one-month LIBOR rate plus 0.5%, and from China Merchants Bank for a total amount of US$6,000,000 with a floating interest rate at the one-month LIBOR rate plus 1.5%, which were secured by credit. GS HK used such loan to purchase goods and replenish working capital.

As at June 30, 2020, Genscript Japan Inc. ("**GS JP**") borrowed a long-term interest-bearing loan from Mizuho Bank for a total amount of JYP220,000,000 (equivalent to approximately US$2,045,000) with a floating interest rate at the TIBOR rate plus 0.25%, which were secured by the building and freehold land held by GS JP. GS JP used such loan to purchase building.

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

Future plans for material investments or capital assets

The Group plans to (i) expand the capacity for life science services and products and biologics development services with a total investment amount of approximately US$150.0 million to US$200.0 million in the next three years to meet the growing demand from our CRO and CDMO clients, (ii) invest in GMP qualified facilities and office and commerce system of Legend with a total investment amount of approximately US$200.0 million to US$300.0 million in the next three years to support the commercialization of cilta-cel and the development of Legend's new pipelines, and (iii) acquire or invest in the leading edge technology and/or intellectual properties to further strengthen and integrate our current technology platforms so as to support the long term growth of the Group.

Save as disclosed above, there was no specific plan of material investments or capital assets as of June 30, 2020.

Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. Since January 2019, the Group has engaged in 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$49.4 million related to fair value interest rate risk. The interest rates risk arising from bank loan is low as the interest rates are fixed for short-term period or even floating with relatively low rates to take advantage of the lower rates thus available.

Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparties' financial position, past history of payments, and take into account information specific to the counterparties as well as pertaining to the economic environment in which the counterparties operates. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. Credit limits were granted to certain customers in consideration of their payment history and business performance. Prepayment agreements were sometimes entered into with certain customers from food companies, colleges, universities, research institutes and pharmaceutical and biotech companies in China, as well as occasionally with other customers in the United States, Europe and Singapore. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balances by semi-year to ensure adequate impairment losses are made for irrecoverable amounts.

Charges on group assets

As at June 30, 2020, the building and freehold land located in Tokyo, Japan of approximately JPY1.3 billion (equivalent to approximately US$12.1 million) was pledged by GS JP to secure a loan of JPY220.0 million (equivalent to approximately US$2.0 million).

As at June 30, 2020, bank balances of approximately US$2.9 million was pledged by GS China for notes payable of approximately US$2.9 million, and of approximately US$256,000 was pledged by Legend Biotech USA Incorporated for credit cards.

Save as disclosed above, as of June 30, 2020, the Group did not have any other charges over its assets.

Working capital and financial resources

As at June 30, 2020, the cash and cash equivalents of the Group amounted to approximately US$706.7 million (as at December 31, 2019: approximately US$252.4 million).

Capital expenditure

During the Reporting Period, capital expenditure incurred in purchasing intangible assets, namely software, patents and license was approximately US$2.4 million, capital expenditure incurred in purchasing property, plant and equipment and construction in process was approximately US$58.1 million.

Employees and remuneration policies

As of June 30, 2020, the Group had a total of 3,973 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, salaries, employees' benefits, responsibility for breach of contractual obligations, and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies, and other employees' benefits, which are determined with reference to their experience, number of years with the Group, and other general factors.

During the Reporting Period, the Group's total expenses on the remuneration of employees was approximately US$91.0 million (excluding share-based payment of approximately US$7.5 million), representing 54.7% of the revenue of the Group. This significant increase in labor costs had been viewed by the Group as the necessary long term investment in our talents pool. This investment has demonstrated the Group's desires and resolutions to continue to strengthen its talent uplifting strategy. This talent uplifting strategy not only involves the recruitment of experienced professional and managerial personnel to fulfill the front line posts of research and development, commercial and production functions, but also systematically increases the overall salary and benefits packages to sustain the stability of the employees to drive for long term commitment and performance improvement as well.

On July 15, 2015, the Company adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**"). On December 7, 2015, the Company adopted a post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). On December 21, 2017, the Company approved and adopted the share option scheme of Legend (the "**Subsidiary Share Option Scheme**"). On March 22, 2019, the Company adopted the Restricted Share Award Scheme (the "**RSA Scheme**"). On May 26, 2020, the shareholders of Legend approved and adopted the restricted shares plan of Legend (the "**2020 Restricted Shares Plan**"). No further options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on the Stock Exchange.

5,525,000 share options with an exercise price of HK$13.840 per share were granted under the Post-IPO Share Option Scheme to certain employees on April 29, 2020. Please refer to our announcement dated April 29, 2020 for details. Save as disclosed, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

930,443 restricted shares were granted under the RSA Scheme to certain employees on April 29, 2020. Please refer to our announcement dated April 29, 2020 for details. Save as disclosed, no other shares have been granted under the RSA Scheme during the Reporting Period.

During the Reporting Period, 90,000 share options were granted under the Subsidiary Share Option Scheme. Save as disclosed, no other options have been granted under the Subsidiary Share Option Scheme during the Reporting Period.

52,173 restricted share units were granted under the 2020 Restricted Shares Plan on June 5, 2020. Save as disclosed, no other shares have been granted under the 2020 Restricted Shares Plan during the Reporting Period.

The number of employees of the Group categorized by function as of June 30, 2020 is set forth as follows:

Function	Number of employees	Percentage of Total
Production	1,295	32.6%
Sales and marketing	382	9.6%
Administration	555	14.0%
Research and development	1,127	28.4%
Management	614	15.4%
Total	3,973	100.0%

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

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

IMPORTANT EVENTS

In January 2020, the fourth milestone 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$30,000,000 payable by Janssen for the fourth milestone. Please refer to the announcements dated January 28, 2020 for details.

On March 31, 2020 and April 11, 2020, Legend entered into purchase agreements with nine purchasers (the "**Purchasers**"), pursuant to which Legend issued and the Purchasers purchased 20,591,629 series A preference shares of Legend at an aggregate consideration of approximately US$160.5 million (the "**Purchases**"). In connection with the Purchase, the Company provided a guarantee to the Purchasers to secure certain guaranteed obligations, including without limitation, the redemption payment amount applicable to each Purchaser upon the exercise of their redemption right. The aggregate amount of the guaranteed obligations shall not exceed US$220,000,000. The guarantee was terminated upon the consumption of Legend IPO (as defined below). Please refer to the announcements dated March 31, 2020, April 14, 2020 and April 16, 2020 for details.

On June 5, 2020 (New York time), Legend was listed on the Nasdaq Global Market by initial public offering of American depositary Shares (the "**Legend IPO**"). Please refer to the announcements dated March 10, 2020, March 16, 2020, May 14, 2020, May 26, 2020, May 29, 2020, June 5, 2020 and June 7, 2020 for details.

A special dividend was declared by the Company in June 2020 to the shareholders of the Company by way of a distribution in respect of the Legend IPO. Such dividend was settled by the Company with cash in an aggregate of approximately HK$51.17 million and the restricted American depositary shares of Legend in July 2020. Please refer to the announcements dated June 7, 2020 and July 23, 2020 and the circular dated June 26, 2020 for details.

With effect from August 2, 2020, (i) Dr. Zhang Fangliang has resigned from the position of chief executive officer of the Company, (ii) Dr. Zhang Fangliang has been re-designated from an executive Director to as a non-executive Director, (iii) Dr. Zhang Fangliang has been appointed as chief executive officer of Legend by the board of directors of Legend, and (iv) Dr. Zhenyu (Patrick) Liu has been appointed as chief executive officer of the Company, subject to retirement by rotation on yearly basis. Please refer to the announcement dated August 2, 2020 for details.

On August 4, 2020, the China Center for Drug Evaluation ("**CDE**"), National Medical Products Administration has recommended Breakthrough Therapy Designation (the "**BTD**") for ciltacabtagene autoleucel (cilta-cel; LCAR-B38M CAR-T cells), an investigational B-cell maturation antigen targeted chimeric antigen receptor T-cell therapy being studied for the treatment of adults with relapsed or refractory multiple myeloma. Please refer to the announcement dated August 6, 2020 for details. The BTD has been granted on August 13, 2020 after the publicity period on the website of the CDE, making cilta-cel the first investigational product to obtain BTD in China.

Save as disclosed in this announcement, there are no important events subsequent to June 30, 2020 which would materially affect the operating and financial performance of the Group as of the date of this announcement.

PROSPECTS

In the first half of 2020, we witnessed the novel coronavirus (COVID-19) pandemic causing profound changes in people's daily lives, international relationships and the global economy. Some of these changes may be temporary, but many will be long lasting.

Many of our customers have been negatively impacted by the COVID-19 during the first half of 2020. The demand for life science services and products from academic and research institutions grew at a slower pace due to campus shutdowns and logistics disruptions globally. International customer demand for industrial enzyme and bio-synthesized products also took a pause given the uncertain global economic environment. Nevertheless, we believe these negative impacts are temporary and the spread of the COVID-19 will eventually be contained Customer demand from the impacted areas is starting to increase.

More importantly, it is clear that the need for the new generation of medicines and diagnostics, as well as the tools and services that enable the pharmaceutical industry to research and produce such medicines is strong and ever growing.

GenScript is well positioned to serve this need. Our life science CRO platform has been providing high grade raw materials and kits used for detection of the COVID-19. Our biologics CDMO platform is enabling customers in the biopharma industry to develop vaccines and antibody drugs against the COVID-19. Not only did these projects help accelerate the Group's overall revenue and profit growth during the Reporting Period, but they were also likely to lead to sustained revenue stream in the coming years. Our research and development, production and customer relationship have stood the test of the pandemic. These will be the foundation for future growth.

On the front of cell therapy, we were able to push forward clinical trials and generate best-in-class data against the pandemic backdrop. We also successfully raised over US$600 million funding for Legend from the outside investors. Legend now has enough cash to sustain its operations throughout 2020 and 2021. For our lead product LCARB38M/JNJ-4528, Janssen remains on track to initiate a Biologics License Application (BLA) to the U.S. Food and Drug Administration (FDA) by the end of 2020 and expects that a Marketing Authorization Application (MAA) will be submitted to the European Medicines Agency (EMA) in early 2021. We also expect to submit BLAs in China and Japan for this product in 2021.

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 demand for life science research and preclinical and clinical stage development services will continue to rise in the foreseeable future.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended June 30, 2020, neither the Directors nor any of their close associates had any interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

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

INTERIM DIVIDEND

On 5 June 2020, the Board declared a special dividend to the shareholders of the Company in connection with the spin-off and separate listing of Legend Biotech Corporation on the Nasdaq Global Market. Please refer to the announcements dated June 7, 2020 and July 23, 2020 and the circular dated June 26, 2020 for details.

The Board resolved not to declare any interim dividend for the six months ended June 30, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold, or redeemed any of the Company's listed securities, except that the trustee of the RSA Scheme purchased on the Stock Exchange a total of 5,550,000 shares of the Company at a total consideration of approximately HK$73,350,687 (equivalent to approximately US$9,460,000) to satisfy the award of shares to selected employees pursuant to the terms of the rules and trust deed of the RSA Scheme.

USE OF PROCEEDS FROM THE 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 Vendor 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 Vendor subscribed for an aggregate of 75,000,000 shares of the Company of HK$26.50 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, 2020** *US$ million*	**Utilized amount during the Reporting Period** *US$ million*	**Unutilized amount as at June 30, 2020** *US$ million*	**Intended year of application**
Building up CAR-T R&D and production facility in China, the U.S. and Europe	58.0	26.5	31.5	2020 to 2021
Building up the GMP manufacturing facilities for plasmid and biologics products	63.7	11.1	52.6	2020 to 2021
Total	121.7	37.6	84.1	

MODEL CODE FOR SECURITIES TRANSACTIONS OF THE DIRECTORS

The Company has adopted its own Code for Securities Transaction by Directors and Specified Individuals (the "**Code**") on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 of the Listing Rules. Specific inquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the Code during the Reporting Period.

The Code is also applicable to the Company' s relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities. No incident of non-compliance with the Code by the Directors and the relevant employees of the Company were noted by the Company during the Reporting Period.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has been in compliance with the code provisions of the CG Code throughout the six months ended June 30, 2020, except for the deviation of code provision A.2.1.

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Yet, Dr. Zhang Fangliang had been assuming the roles of both the chairman of the Board and the chief executive officer of the Company since the date of listing up to August 2, 2020, on which he resigned from the position of the chief executive officer of the Company. The Board believed that resting the roles of both the chairman and the chief executive officer in the same person during the Reporting Period had helped to ensure consistent leadership within the Group and to enable more effective and efficient overall strategic planning for the Group. Although these two roles were performed by the same individual, certain responsibilities were shared with the executive Directors to balance power and authority. In addition, all major decisions were 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 were adequate during the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**"). The Audit Committee currently consists of three members, namely Mr. Dai Zumian (Chairman), Mr. Pan Jiuan and Mr. Guo Hongxin, all of whom are independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee has together with the management and external auditors reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Group's unaudited consolidated interim results for the six months ended June 30, 2020.

SANCTIONS RISK CONTROL COMMITTEE

During the Reporting Period to the date of this announcement, the sanctions risk control committee of the Company (the "**Sanctions Risk Control Committee**") held two meetings on March 6, 2020 and May 27, 2020 to review the activities, relevant policies and procedures in relation to economic sanctions, the guidance on the compliance with contractual covenants including those made in connection with the Global Offering and Listing of Shares on the Stock Exchange, the use of proceeds, and the internal control policies and procedures with respect to the sanctions risks. The Sanctions Risk Control Committee reviewed the activities of the Group that may be subject to economic sanctions for the Reporting Period and monitored the Group's exposure to risks of sanctions violations. The Sanctions Risk Control Committee resolved that the activities that may be subject to economic sanctions were being monitored effectively and was satisfied with the effectiveness of the relevant policies, procedures, guidance, and internal control measures.

CHANGES IN DIRECTORS' AND EXECUTIVES' INFORMATION

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

Dr. Zhang Fangliang has resigned from the position of chief executive officer of the Company and has been re-designated from an executive Director to a non-executive Director with effect from August 2020. Please refer to the announcement dated August 2, 2020 for details.

Dr. Zhenyu (Patrick) Liu was appointed as chief executive officer of the Company with effect from August 2, 2020. Please refer to the announcement dated August 2, 2020 for details.

Mr. Pan Jiuan resigned as the chief human resources officer of Shanghai Lingjiao Enterprise Management Consulting Co. Ltd*(上海領教企業管理諮詢有限公司) in May 2020 and has been appointed as the chief executive officer of Shanghai FastLink Door Co., Limited* (上海快聯門業有限公司) in June 2020.

Mr. Guo Hongxin has been awarded the title of distinguished professor of Nanjing Tech University (南京工業大學) in May 2020.

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

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

PRESS RELEASE OF UNAUDITED FINANCIAL RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 BY A LISTED SUBSIDIARY — LEGEND BIOTECH CORPORATION

Legend, a non-wholly owned subsidiary of the Company, whose shares are listed by way of American depositary shares on the Nasdaq Global Market in the United States, has issued a press release regarding its unaudited financial results for the three and six months ended June 30, 2020 and recent business highlights. The press release is available at the website of Legend at https://www.legendbiotech.com/pdf/LEGN_IR_08282020.pdf.

ACKNOWLEDGEMENT

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

By order of the Board
Genscript Biotech Corporation
Zhang Fangliang
Chairman

Hong Kong, August 30, 2020

As at the date of this announcement, the executive Directors are Ms. Wang Ye and Mr. Meng Jiange; the non-executive Directors are Dr. Zhang Fangliang, 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*