

金斯瑞生物科技股份有限公司*

GENSCRIPT BIOTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability) | Stock code: 1548 | **2020 Interim Report**



Make People and Nature Healthier
through **Biotechnology**

*For identification purpose only



CONTENTS

Corporate Profile	2
Corporate Information	4
Financial Highlight	6
Management Discussion and Analysis	8
Other Information	20
Independent Review Report	37
Interim Condensed Consolidated Statement of Profit or Loss	38
Interim Condensed Consolidated Statement of Comprehensive Income	39
Interim Condensed Consolidated Statement of Financial Position	40
Interim Condensed Consolidated Statement of Changes in Equity	42
Interim Condensed Consolidated Statement of Cash Flows	44
Notes to Interim Condensed Consolidated Financial Information	47



Corporate Profile

The Group is a well-recognized 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 for the six months ended June 30, 2020 (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 (cilta-cel; 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.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Ye (*President*)

Mr. Meng Jiange (*Secretary of the Board of Directors*)

Non-Executive Directors

Dr. Zhang Fangliang (*Chairman*) (*Resigned from the position of Chief Executive Officer and re-designated from executive Director to non-executive Director with effect from August 2, 2020*)

Dr. Wang Luquan

Mr. Pan Yuexin

Ms. Wang Jiafen

Independent Non-Executive Directors

Mr. Guo Hongxin

Mr. Dai Zumian

Mr. Pan Jiuan

AUDIT COMMITTEE

Mr. Dai Zumian (*Chairman*)

Mr. Pan Jiuan

Mr. Guo Hongxin

REMUNERATION COMMITTEE

Mr. Guo Hongxin (*Chairman*)

Ms. Wang Ye

Mr. Dai Zumian

NOMINATION COMMITTEE

Dr. Zhang Fangliang (*Chairman*)

Mr. Pan Jiuan

Mr. Dai Zumian

SANCTIONS RISK CONTROL COMMITTEE

Dr. Zhang Fangliang (*Chairman*)

Ms. Wang Ye

Mr. Meng Jiange

Mr. Eric Wang

Mr. Shawn Wu

COMPANY SECRETARY

Ms. Wong Wai Ling

AUTHORISED REPRESENTATIVES

Dr. Zhang Fangliang

Mr. Meng Jiange

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COMPANY WEBSITES

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PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited
— Main Board

STOCK CODE

1548

STOCK NAME

GENSCRIPT BIO

Financial Highlight

- Revenue of the Group for the six months ended June 30, 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.

Notes:

1

	For the six months ended June 30, 2020 (Unaudited)		
	Non-cell therapy	Cell therapy	Total
	US\$'000	US\$'000	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)

2

The figures for segment results in this report are prior to intra-group eliminations (except otherwise indicated), whereas the figures for segment results in the interim report for the six months ended June 30, 2019 of the Company dated September 23, 2019 (the "Previous Report") were after intra-group eliminations representing sales to external customers only (expected otherwise indicated). Certain comparable figures that were presented in the Previous Report have been adjusted in this report to conform to the current period's presentation accordingly.

Management Discussion and Analysis

BUSINESS REVIEW

Revenue

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

1. 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.

2. Biologics Development Service

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.

Management Discussion and Analysis

3. 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.

4. 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,		Change
	2020 (Unaudited) US\$' 000	2019 (Unaudited) 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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

	Banks	Product type / description	Investment Cost		Fair value as of	Purchase date	Maturity date	Redemption date
			Original amount In RMB or US\$	In US\$' 000	June 30, 2020 In US\$' 000			
1	China Merchants Bank	Variable interest financial product	RMB 124,390,000	17,570	17,695	01/08/2020	On Call	N/A
2	Credit Suisse AG, Hong Kong Branch	Premium Cash Plus (Pure FRNs) USD	USD 10,000,000	10,000	9,966	02/12/2019	On Call	Partially redeemed on 06/30/2020
3	China Merchants Bank	Variable interest financial product	RMB 40,000,000	5,650	5,663	05/29/2020	On Call	N/A
4	Citibank Hong Kong	USD 3 Year Notes Linked to the GAM Star Credit Opportunities Fund	USD 5,075,000	5,075	5,075	03/13/2020	03/16/2023	—
5	CMB International Capital Corporation Limited	CMBI MULTI-TRANCHE BOND FUND	USD 5,000,000	5,000	5,063	02/03/2020	On Call	N/A
6	China CITIC Bank	Variable interest financial product	RMB 25,000,000	3,531	3,565	04/01/2020	07/01/2020	07/01/2020
7	Bank of Communications	Variable interest financial product	RMB 20,000,000	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			

Management Discussion and Analysis

Information in relation to the non-current part of financial assets at fair value through profit or loss as at June 30, 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 US\$' 000	Market value as at June 30, 2020 US\$' 000	Percentage to the Group's total assets as at June 30, 2020 %	Realised	Unrealised	Dividends received for the period ended June 30, 2020 US\$' 000
								gain on change in fair value for the period ended June 30, 2020 US\$' 000	gain/(loss) on change in fair value for the period ended June 30, 2020 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.

Management Discussion and Analysis

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, 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 GenScript Biotech 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.

Management Discussion and Analysis

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 JPY220,000,000 (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.

Management Discussion and Analysis

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", 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"). 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.

Management Discussion and Analysis

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.

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.

Management Discussion and Analysis

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.

Other Information

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.

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

As at June 30, 2020, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares, and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), are set out as follows:

Long positions in the ordinary shares and underlying Shares of the Company as at June 30, 2020

Name of Director and Chief Executive	Capacity/Nature of interest	Number of Shares/ underlying Shares held/interested	Approximate Percentage of Shareholding* (%)
Directors			
Zhang Fangliang	Interest in controlled corporation ^(Note 1) , parties acting in concert ^(Note 2) and founder of a discretionary trust ^(Note 7)	943,408,581	49.19
Wang Luquan	Interest in controlled corporation ^(Note 3) and parties acting in concert ^(Note 2)	943,408,581	49.19
Wang Ye	Interest in controlled corporation ^(Note 4) , parties acting in concert ^(Note 2) , beneficial owner ^(Note 5) and founder of a discretionary trust ^(Note 8)	943,408,581	49.19
Meng Jiange	Beneficial Owner ^(Note 6)	2,705,037	0.14
Pan Yuexin	Beneficial Owner ^(Note 9)	400,000	0.02
Guo Hongxin	Beneficial Owner ^(Note 10)	400,000	0.02
Dai Zumian	Beneficial Owner ^(Note 11)	400,000	0.02
Chief Executive			
Zhenyu (Patrick) Liu (Appointed as chief executive officer with effect from August 2, 2020)	Beneficial Owner ^(Note 12)	6,548,400	0.34

* The percentage has been calculated based on 1,917,922,786 Shares in issue as at June 30, 2020.

Notes:

- (1) As of June 30, 2020, Zhang Fangliang held approximately 28.54% of the issued share capital of Genscript Corporation ("GS Corp") and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (2) On August 14, 2008, Zhang Fangliang, Wang Luquan, and Wang Ye entered into the GS Corp Shareholder Voting Agreement, whereby Zhang Fangliang, Wang Luquan, and Wang Ye agreed to vote unanimously in the shareholder meetings of GS Corp and, contemporaneously, proxies were conferred by Wang Luquan and Wang Ye to Zhang Fangliang authorising Zhang Fangliang to vote and exercise all voting and related rights with respect to the shares that each of Wang Luquan and Wang Ye beneficially owned in GS Corp, which held 875,366,235 Shares as of June 30, 2020. On May 29, 2015, Wu Yongmei signed a proxy agreement whereby she conferred all her voting and related rights in relation to all the shares that she owned in GS Corp, i.e. 108,625,000 shares of GS Corp to Zhang Fangliang.
- (3) As of June 30, 2020, Wang Luquan held approximately 22.76% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in, all the Shares held by GS Corp.
- (4) As of June 30, 2020, Wang Ye held approximately 5.89% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Ye was deemed, or taken to be interested in, all the Shares held by GS Corp.
- (5) Wang Ye held 68,016,194 underlying Shares under the options conditionally granted to her under the Pre-IPO Share Option Scheme.
- (6) Meng Jiange held 2,705,037 underlying Shares under the options conditionally granted to him under the Pre-IPO Share Option Scheme.
- (7) On October 12, 2017, Zhang Fangliang set up 2017 Fang Liang Zhang Trust (the "Zhang Trust"), an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. The Zhang Trust (through its trustee), held approximately 12.60% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (8) On October 5, 2017, Wang Ye set up 2017 Wang Ye Family Trust (the "Wang Trust"), an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. The Wang Trust (through its trustee) held approximately 6.32% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (9) Pan Yuexin held 400,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (10) Guo Hongxin held 400,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (11) Dai Zumian held 400,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.
- (12) Zhenyu (Patrick) Liu held 1,537,650 underlying Shares and 5,000,000 underlying Shares under the options granted to him under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, respectively, and held 10,750 underlying Shares under the RSA under the RSA Scheme.

Save as disclosed above, as at June 30, 2020, none of the Directors or chief executive of the Company had any interests or short positions in the shares or underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that (i) was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise (ii) was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at June 30, 2020, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company as at June 30, 2020

Name	Capacity/Nature of interest	Number of Shares/ underlying Shares held/interested	Approximate Percentage of Shareholding* (%)
GS Corp ^(Note 1)	Beneficial Owner	875,366,235	45.64
Jin Weihong ^(Note 2)	Interest in controlled corporation, parties acting in concert and trustee	943,408,581	49.19
Hu Zhiyong ^(Note 3)	Interest in controlled corporation, parties acting in concert and trustee	943,408,581	49.19

* The percentage has been calculated based on 1,917,922,786 Shares in issue as at June 30, 2020.

Notes:

- As of June 30, 2020, GS Corp is a company incorporated in the State of Delaware in the United States and owned as to approximately 28.54%, approximately 12.60%, approximately 22.76%, approximately 10.78%, approximately 0.78%, approximately 7.17%, approximately 3.93%, approximately 5.89%, approximately 6.32%, approximately 1.05% and approximately 0.18% by Zhang Fangliang, the Zhang Trust, Wang Luquan, Wu Yongmei, the Wu 2017 Trust (Note 4), the Wu 2018 Trust (Note 4), the Wu 2019 Trust (Note 4), Wang Ye, the Wang Trust, Mu Yingjun and Charity B, respectively.
- On October 12, 2017, Zhang Fangliang set up the Zhang Trust, an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. Jin Weihong, as the trustee of the Zhang Trust, held approximately 12.60% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- On October 5, 2017, Wang Ye set up the Wang Trust, an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. Hu Zhiyong, as the trustee of the Wang Trust, held approximately 6.32% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- On December 17, 2017, Wu Yongmei set up 2017 Wu Yongmei Trust (the "Wu 2017 Trust"), an irrevocable family trust, with her two children and their respective living issue as beneficiaries. Wu Yongmei and her two children, are the trustees of the Wu 2017 Trust. On October 29, 2018, Wu Yongmei set up 2018 Wu Yongmei Trust (the "Wu 2018 Trust"), an irrevocable family trust, with her two children and their respective living issue as beneficiaries. Wu Yongmei is the trustee of the Wu 2018 Trust. On October 31, 2019, Wu Yongmei set up 2019 Wu Yongmei Trust (the "Wu 2019 Trust"). Wu Yongmei is the initial trustee of the Wu 2019 Trust.

Save as disclosed above, as at June 30, 2020, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

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

A. Pre-IPO Share Option Scheme

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

Other Information

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

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share US\$	Outstanding as at January 1, 2020	Granted during the Reporting Period	Number of share options			Outstanding as at June 30, 2020
							Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period ⁽¹⁾	
Directors of the Company										
Wang Ye	May 22, 2012	December 31, 2012 – July 31, 2020	December 31, 2012 – July 31, 2020	0.103	24,618,083	-	-	-	24,618,083	-
		December 31, 2013 – July 31, 2020								
		December 31, 2014 – July 31, 2020								
	March 20, 2014	December 31, 2014 – July 31, 2025	December 31, 2014 – July 31, 2025	0.062	68,016,194	-	-	-	-	68,016,194
		December 31, 2015 – July 31, 2025								
		December 31, 2016 – July 31, 2025								
Meng Jiange	February 20, 2010	April 1, 2011 – December 31, 2020	April 1, 2011 – December 31, 2020	0.077	295,320	-	-	-	-	295,320
		April 1, 2012 – December 31, 2020								
		April 1, 2013 – December 31, 2020								
		April 1, 2014 – December 31, 2020								
		April 1, 2015 – December 31, 2020								

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share	Outstanding as at January 1, 2020	Number of share options			Outstanding as at June 30, 2020
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	
				US\$					
	May 1, 2013	May 1, 2016 – December 31, 2020	May 1, 2016 – December 31, 2020	0.103	466,397	–	–	–	466,397
		May 1, 2017 – December 31, 2020							
		May 1, 2018 – December 31, 2020							
		May 1, 2019 – December 31, 2020							
		May 1, 2020 – December 31, 2020							
	January 30, 2015	January 30, 2016 – July 31, 2025	January 30, 2016 – July 31, 2025	0.077	1,943,320	–	–	–	1,943,320
		January 30, 2017 – July 31, 2025							
		January 30, 2018 – July 31, 2025							
		January 30, 2019 – July 31, 2025							
		January 30, 2020 – July 31, 2025							

Other Information

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share	Outstanding as at January 1, 2020	Number of share options			Outstanding as at June 30, 2020
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	
Chief executive of the Company									
Zhenyu (Patrick) Liu	March 28, 2014	December 31, 2014 – December 31, 2020	December 31, 2014 – December 31, 2020	0.077	1,537,650	–	–	–	1,537,650
(was appointed as chief executive officer with effect from August 2, 2020)		December 31, 2015 – December 31, 2020 December 31, 2016 – December 31, 2020 December 31, 2017 – December 31, 2020 December 31, 2018 – December 31, 2020							
Other employees									
Employees	October 17, 2005 – March 30, 2015	October 17, 2008 – December 31, 2025	October 17, 2008 – December 31, 2025	0.003-0.103	46,184,634	–	–	13,004,943	33,179,691
					143,061,608	–	–	37,623,036	105,438,572

Notes:

- (1) The weighted average closing price immediately before the dates on which the options were exercised was HK\$15.59, calculated based on the closing price per Share immediately before the date of exercise as adjusted due to the adjustment made to the historical closing price of the Shares by the Stock Exchange as a result of the declaration of the Special Dividend (as defined below) (the "Adjustment").
- (2) Please refer to Appendix V "Statutory and General Information" of the Prospectus and note 18 to the financial statements in this Interim Report.

B. Post-IPO Share Option Scheme

The Company approved and adopted the Post-IPO Share Option Scheme by written resolutions of its then sole shareholder on December 7, 2015. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules. Options to subscribe for 97,783,137 shares had been granted (of which 8,638,334 options had lapsed) under the Post-IPO Share Option Scheme from the date of its adoption to June 30, 2020.

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

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK\$	Closing Price Per Share immediately before the date of grant HK\$	Outstanding as at January 1, 2020	Number of share options					Outstanding as at June 30, 2020	
							Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period ⁽ⁱ⁾			
Directors of the Group													
Pan Yuxin	November 29, 2018	November 29, 2018 – November 28, 2023	November 29, 2018 – November 28, 2023	14.04	14.32	400,000	–	–	–	–	–	400,000	
		November 29, 2019 – November 28, 2023											
		November 29, 2020 – November 28, 2023											
		November 29, 2021 – November 28, 2023											
		November 29, 2022 – November 28, 2023											
		November 29, 2023											
		November 29, 2018 – November 28, 2023			14.04	14.32	400,000	–	–	–	–	–	400,000
		November 29, 2019 – November 28, 2023											
		November 29, 2020 – November 28, 2023											
		November 29, 2021 – November 28, 2023											
	November 29, 2022 – November 28, 2023												
Guo Hongyin	November 29, 2018	November 29, 2018 – November 28, 2023	November 29, 2018 – November 28, 2023	14.04	14.32	400,000	–	–	–	–	–	400,000	
		November 29, 2019 – November 28, 2023											
		November 29, 2020 – November 28, 2023											
		November 29, 2021 – November 28, 2023											
		November 29, 2022 – November 28, 2023											
		November 29, 2023											
		November 29, 2018 – November 28, 2023			14.04	14.32	400,000	–	–	–	–	–	400,000
		November 29, 2019 – November 28, 2023											
		November 29, 2020 – November 28, 2023											
		November 29, 2021 – November 28, 2023											
	November 29, 2022 – November 28, 2023												

Other Information

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK\$	Closing Price Per Share immediately before the date of grant HK\$	Outstanding as at January 1, 2020	Number of share options					Outstanding as at June 30, 2020
							Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period ⁽¹⁾		
Dai Zhumian	November 29, 2018	November 29, 2018 – November 28, 2023	November 29, 2018 – November 28, 2023	14.04	14.82	400,000	-	-	-	-	-	400,000
		November 29, 2019 – November 28, 2023	November 29, 2019 – November 28, 2023									
		November 29, 2020 – November 28, 2023	November 29, 2020 – November 28, 2023									
		November 29, 2021 – November 28, 2023	November 29, 2021 – November 28, 2023									
		November 29, 2022 – November 28, 2023	November 29, 2022 – November 28, 2023									
		November 29, 2023	November 29, 2023									
Chief executive of the Company												
Zhenyu (Patrick)	June 22, 2016	June 22, 2019 – June 21, 2026	June 22, 2019 – June 21, 2026	1.2040	1.210	5,000,000	-	-	-	-	-	5,000,000
Liu (was appointed as chief executive officer with effect from August 2, 2020)		June 22, 2020 – June 21, 2026	June 22, 2020 – June 21, 2026									
		June 22, 2021 – June 21, 2026	June 22, 2021 – June 21, 2026									
		June 22, 2022 – June 21, 2026	June 22, 2022 – June 21, 2026									
		June 22, 2023 – June 21, 2026	June 22, 2023 – June 21, 2026									

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share HK\$	Closing Price Per Share immediately before the date of grant HK\$	Outstanding as at January 1, 2020	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period ⁽¹⁾	Outstanding as at June 30, 2020	
												Number of share options
Other employees	June 22, 2016	June 22, 2016 – June 21, 2026	June 22, 2016 – June 21, 2026	1.2040	1.210	3,315,637	–	–	–	–	3,315,637	
	September 23, 2016	September 23, 2017 – September 22, 2026	September 23, 2017 – September 22, 2026	2.406	2.300	10,679,000	–	–	–	805,000	9,874,000	
	April 25, 2017	April 25, 2019 – April 24, 2027	April 25, 2019 – April 24, 2027	3.512	3.450	24,002,500	–	–	382,500	808,000	22,812,000	
	October 11, 2017	July 25, 2018 – October 10, 2027	July 25, 2018 – October 10, 2027	8.330	8.070	11,175,000	–	–	725,000	195,100	10,254,900	
	November 20, 2017	December 31, 2019 – November 19, 2027	December 31, 2019 – November 19, 2027	9.350	8.910	8,885,000	–	–	255,000	50,000	8,080,000	
	May 4, 2018	January 1, 2019 to May 3, 2028	January 1, 2019 to May 3, 2028	26.46	26.65	9,400,000	–	–	333,334	–	9,066,666	
	November 29, 2018	November 29, 2019 – November 28, 2028	November 29, 2019 – November 28, 2028	14.040	14.32	800,000	–	–	–	65,000	735,000	
	July 19, 2019	July 19, 2020 – July 18, 2029	July 19, 2020 – July 18, 2029	18.3	17.86	4,515,000	–	–	470,000	–	4,045,000	
	November 29, 2019	November 29, 2020 – November 28, 2029	November 29, 2020 – November 28, 2029	19.132	19.54	5,885,000	–	–	550,000	–	5,335,000	
	April 29, 2020	April 29, 2021 – April 28, 2030	April 29, 2021 – April 28, 2030	13.840	13.698 ⁽³⁾	–	5,525,000	–	–	–	–	5,525,000
						84,357,137	5,525,000	–	2,715,834	1,923,100	–	85,243,203

Notes:

- (1) The weighted average closing price immediately before the dates on which the options were exercised was HK\$16.81, calculated based on the closing price per Share immediately before the date of exercise as adjusted due to the Adjustment.
- (2) For further details of the Post-IPO Share Option Scheme, please refer to Appendix V "Statutory and General Information" of the Prospectus and note 18 to the financial statements in this Interim Report.
- (3) The closing price per Share immediately before the date of grant has been adjusted due to the Adjustment.

C. Subsidiary Share Option Scheme

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

Options to subscribe for 19,937,000 shares of Legend had been granted (of which 1,834,000 options had lapsed) under the Subsidiary Share Option Scheme from the date of its adoption to June 30, 2020.

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

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share US\$	Outstanding as at January 1, 2020	Number of share options			Outstanding as at June 30, 2020	
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period		Exercised during the Reporting Period
Senior management of the Group Xu Yuan (resigned with effect from August 2, 2020)	August 30, 2018	July 1, 2019 – August 29, 2028	July 1, 2019 – August 29, 2028	1.0	4,400,000	–	–	–	–	4,400,000
		July 1, 2020 – August 29, 2028								
		July 1, 2021 – August 29, 2028								
		July 1, 2022 – August 29, 2028								
		July 1, 2023 – August 29, 2028								
Other Employees	December 26, 2017	December 25, 2019 – December 25, 2027	December 25, 2019 – December 25, 2027	0.5	6,347,000	–	–	–	–	6,347,000
	August 30, 2018	January 1, 2019 – August 29, 2028	January 1, 2019 – August 29, 2028	1.0	2,883,000	–	–	–	–	2,883,000
	December 31, 2018	December 31, 2019 – December 30, 2028	December 31, 2019 – December 30, 2028	1.0	636,000	–	–	–	–	636,000
	January 14, 2019	December 31, 2019 – December 30, 2028	December 31, 2019 – December 30, 2028	1.0	10,000	–	–	–	–	10,000
		December 30, 2028								

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share US\$	Outstanding as at January 1, 2020	Number of share options			Outstanding as at June 30, 2020
						Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	
	January 28, 2019	December 31, 2019 – December 30, 2028	December 31, 2019 – December 30, 2028	1.0	10,000	-	-	-	10,000
	July 2, 2019	July 2, 2020 – July 1, 2029	July 2, 2020 – July 1, 2029	1.5	2,223,000	-	-	-	2,223,000
	July 8, 2019	July 2, 2020 – July 1, 2029	July 2, 2020 – July 1, 2029	1.5	2,000	-	-	-	2,000
	July 22, 2019	July 2, 2020 – July 1, 2029	July 2, 2020 – July 1, 2029	1.5	1,000,000	-	-	-	1,000,000
	November 29, 2019	November 29, 2020 – November 28, 2029	November 29, 2020 – November 28, 2029	11.5	472,000	-	-	-	472,000
	December 9, 2019	November 29, 2020 – November 28, 2029	November 29, 2020 – November 28, 2029	11.5	30,000	-	-	-	30,000
	June 5, 2020	June 5, 2021 – June 5, 2030	November 28, 2029 June 5, 2021 – June 5, 2030	11.5	-	90,000	-	-	90,000
					18,013,000	90,000	-	-	18,103,000

Apart from the movements as stated above, no options were granted, exercised, lapsed or cancelled under the Subsidiary Share Option Scheme during the Reporting Period ended June 30, 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

RESTRICTED SHARE AWARD SCHEME

RSA Scheme

The Company adopted its Restricted Share Award Scheme (the "RSA Scheme") on March 22, 2019 (the "Adoption Date") to, among other things, recognize the contributions by any Director or employee of the Company or any of its subsidiaries selected by the Board in accordance with the terms of the RSA Scheme (the "Selected Participant"). The Company and Computershare Hong Kong Trustees Limited as the trustee (the "Trustee") entered into the trust deed in respect of the appointment of the Trustee for the administration of the RSA Scheme (the "Trust Deed"). Pursuant to the RSA Scheme, the shares that may be offered by the Company to any Selected Participant (the "Restricted Shares") will be satisfied by (i) existing shares to be acquired by the Trustee on the market, and/or (ii) new shares to be allotted and issued to the Trustee. The total number of the Restricted Shares underlying all grants made pursuant to the RSA Scheme shall not exceed ten (10)% of the issued share capital of the Company as at March 22, 2019. The RSA Scheme will initially be valid and effective for a period of ten years commencing on the Adoption Date. Vesting shall only occur upon satisfaction (or where applicable, waiver by the Board) of conditions imposed by the Board. Neither the Selected Participant nor the Trustee may exercise any of the voting rights in respect of any Restricted Shares that have not yet been vested. For details, please refer to the Company's announcement dated March 22, 2019.

During the Reporting Period, 930,443 Restricted Shares ("RSA Shares") were granted under the RSA Scheme to certain employees (the "Grantees") on April 29, 2020. The closing price of the Shares on the Stock Exchange was HK\$13.840 per share on April 29, 2020. Save as disclosed, no other RSA Shares have been granted under the RSA Scheme during the Reporting Period.

The RSA Shares have been acquired by the Trustee through on-market transactions and are currently held by the Trustee in accordance with the Listing Rules and the Trust Deed until the end of the relevant vesting date and be transferred to the Grantees upon satisfaction of the relevant vesting conditions as may be specified by the Board at the time of making the grant of RSA Shares.

As no new Shares will be issued by the Company as a result of the grant of the RSA Shares as mentioned above, the grant of the RSA Shares will not result in any dilution effect on the shareholdings of existing shareholders of the Company.

Set out below are details of the outstanding shares under the RSA Scheme:

Category/ Name of Grantee	Date of Grant	As at January 1, 2020	Number of Shares			Outstanding as at June 30, 2020
			Granted during the Reporting Period	Vesting During the Reporting Period	Lapsed during the Reporting Period	
Chief executive						
Zhenyu (Patrick) Liu (was appointed as chief executive officer with effect from August 2, 2020)	April 29, 2020	—	10,750	—	—	10,750
Other Employees						
	July 19, 2019	1,048,116	—	—	—	1,048,116
	November 29, 2019	150,000	—	—	—	150,000
	April 29, 2020	—	919,693	—	—	919,693
		1,198,116	930,443	—	—	2,128,559

Save as disclosed, none of the Grantees is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or an associate (as defined in the Listing Rules) of any of them.

2020 Restricted Shares Plan

On May 26, 2020, the shareholders of Legend approved and adopted the 2020 Restricted Shares Plan, or the RSU Scheme to grant restricted shares and restricted share units (referred to as award) to employees, consultants and directors of Legend, as well as to employees, consultants and directors of Genscript and of Legend's subsidiaries.

Under the 2020 Restricted Share Plan, the maximum aggregate number of shares that may be issued pursuant to all awards granted is 11,000,000 shares. Unless early terminated by the board of Legend, the 2020 Restricted Shares Plan shall be valid and effective for a term of ten years commencing on May 26, 2020.

During the Reporting Period, 52,173 restricted share units (the "Restricted Share Units") were granted under the 2020 Restricted Shares Plan on June 5, 2020.

Save as disclosed, no other Restricted Shares or Restricted Share Units have been granted under the 2020 Restricted Shares Plan during the Reporting Period.

PUBLIC FLOAT

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

Other Information

INTERIM DIVIDEND

On June 5, 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 Nasdaq Global Market (the “Special Dividend”). 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 US 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 incidence 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 report, 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.

After making specific enquiries by the Company and confirmed by the Directors, save as disclosed as above no other changes in the information of any Directors after the date of the Annual Report 2019 that are required to be disclosed pursuant to paragraphs (a) to (e) and paragraph (g) of Rule 13.51(2) of the Listing Rules have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Independent Review Report



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To the board of directors of Genscript Biotech Corporation

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 38 to 80, which comprises the condensed consolidated statement of financial position of Genscript Biotech Corporation (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2020

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June

	Notes	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
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)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		(US6.01 cents)	(US1.48 cents)
Diluted		(US6.01 cents)	(US1.48 cents)

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June

	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
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:		
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

30 June 2020

	Notes	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
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
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

Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
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

Zhang Fangliang
Director

Wang Ye
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent										
	Share capital	Treasury shares	Share premium*	Merger reserve*	Share option reserve*	Statutory surplus reserves*	Retained earnings*	Exchange fluctuation reserve*	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Note 17)	(Note 17)	(Note 17)		(Note 18 & Note 19)						
At 31 December 2019 (Audited)	1,879	(7,774)	368,781	(20,883)	27,651	14,359	15,580	(16,789)	382,804	(10,506)	372,298
Loss for the period	—	—	—	—	—	—	(113,092)	—	(113,092)	(47,417)	(160,509)
Other comprehensive (loss)/income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(4,581)	(4,581)	(354)	(4,935)
Total comprehensive loss for the period	—	—	—	—	—	—	(113,092)	(4,581)	(117,673)	(47,771)	(165,444)
Issue of ordinary shares for initial public offering of Legend Cayman	—	—	690,520	—	—	—	—	—	690,520	—	690,520
Acquisition of equity by minority shareholders	—	—	—	—	—	—	—	—	—	367	367
Shares repurchased	—	(9,460)	—	—	—	—	—	—	(9,460)	—	(9,460)
Equity-settled share option arrangements	—	—	—	—	7,462	—	—	—	7,462	—	7,462
Dividend declared	—	—	(14,879)	—	—	—	—	—	(14,879)	—	(14,879)
Exercise of share options	39	—	6,288	—	(1,740)	—	—	—	4,587	—	4,587
At 30 June 2020 (Unaudited)	1,918	(17,234)	1,050,710	(20,883)	33,373	14,359	(97,512)	(21,370)	943,361	(57,910)	885,451

* These reserve accounts comprise the consolidated reserves of US\$958,677,000 (For the year ended 31 December 2019: US\$338,699,000) in the consolidated statement of financial position.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

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

* These reserve accounts comprise the consolidated reserves of US\$454,312,000 in the consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	Notes	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(158,047)	(36,619)
Adjustments for reconcile profit before tax to net cash flows:			
(Reversal of)/provision for impairment of trade receivables, net		(433)	559
(Reversal of write-down of)/write-down of inventories to net realizable value		(143)	310
Depreciation of property, plant and equipment		11,307	7,305
Depreciation of investment properties		60	105
Depreciation of right-of use assets		1,412	827
Amortisation of other intangible assets		1,273	890
Loss on disposal of items of property, plant and equipment	9	901	88
Interest income	4	(2,870)	(5,391)
Fair value loss of convertible redeemable preferred shares		79,984	—
Investment (income)/loss		(1,442)	275
Share of losses of associates		314	139
Fair value loss on financial assets at fair value through profit or loss		736	85
Finance costs		4,510	387
Equity-settled share option expense		7,462	5,375
		(54,976)	(25,665)
Decrease in trade and notes receivables		7,329	17,908
Decrease/(increase) in prepayments and other receivables and other assets		13,365	(4,537)
Increase in inventories		(4,180)	(2,605)
Decrease in government grants		(215)	(54)
Increase in trade and bills payables		5,106	2,746
Decrease in other payables, accruals and contract liabilities		(20,211)	(9,768)
Increase in time deposits		(24,566)	(141,061)
(Increase)/decrease in pledged short-term deposits		(2,170)	12,504
Cash used in operations		(80,518)	(150,532)
Interest received		2,987	9,402
Interest paid for finance rental lease payment		(117)	—
Interest paid		(448)	(115)
Income tax paid		(17,775)	(12,057)
Net cash flows used in operating activities		(95,871)	(153,302)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

Notes	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(58,141)	(53,838)
Proceeds from disposal of items of property, plant and equipment	18	1
Purchases of intangible assets	(2,409)	(170)
Purchase of investment in associate	(203)	(200)
Redemption of equity investments designated at fair value through other comprehensive income	—	5,010
Purchases of financial assets at fair value through profit or loss	(267,082)	(771,717)
Maturity of financial assets at fair value through profit or loss	241,451	760,777
Loan to an associate	(212)	—
Receipt of investment income	1,442	—
Net cash flows used in investing activities	(85,136)	(60,137)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchases of minority interest of the subsidiary	—	(6,007)
Acquisition of equity by minority shareholders	367	664
Gross Proceeds from issue of ordinary shares for initial public offering of Legend Cayman	487,341	—
Underwriting commission of issue of ordinary shares for initial public offering of Legend Cayman	(34,114)	—
Expenses of issue of ordinary shares for initial public offering of Legend Cayman	(3,142)	—
Proceeds from preferred shares for initial public offering of Legend Cayman	160,450	—
Expenses of issue preferred shares for initial public offering of Legend Cayman	(250)	—
Shares repurchased	(9,460)	(2,271)
Exercise of share options	4,741	2,036
New bank loans	48,005	19,378
Repayment of bank loans	(16,597)	(10,688)
Principal portion of lease payments	(1,081)	(631)
Net cash flows from financing activities	636,260	2,481

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	Notes	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(957)	(21)
Cash and cash equivalents at beginning of period	12	252,397	494,558
<hr/>			
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12	706,693	283,579
<hr/>			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		656,693	158,359
Non-pledged time deposits with original maturity of less than three months when acquired		50,000	125,220
<hr/>			
Cash and cash equivalents as stated in the statement of financial position	12	706,693	283,579
<hr/>			
Cash and cash equivalents as stated in the statement of cash flows		706,693	283,579

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

1. CORPORATE INFORMATION

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

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

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

Information about subsidiaries

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

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the		Principal activities
			Company		
			Direct	Indirect	
			%	%	
Genscript (Hong Kong) Limited (“GS HK”)	Hong Kong 8 January 2009	HK\$ 155,000	—	100	Sale of life science research products and services
Nanjing GenScript Biotech Co.,Ltd. (“GS China”) —wholly foreign-owned enterprise	PRC/Mainland China 12 March 2009	US\$ 88,020,000	—	100	Manufacture and sale of life science research products and services
Genscript USA Incorporated (“GS USA”)	United States of America 26 March 2009	US\$ 1,000	100	—	Manufacture and sale of life science research products and services

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the		Principal activities
			Company		
			Direct %	Indirect %	
Jinsikang Technology (Nanjing) Co., Ltd. ("Nanjing Jinsikang") —limited liability company	PRC/Mainland China 30 April 2009	RMB 132,550,600	—	100	Manufacture and sale of life science research products and services
Genscript Japan Inc. ("GS JP")	Japan 7 July 2011	JPY 8,300,000	—	100	Sale of life science research products and services
Nanjing Bestzyme Bioengineering Co., Ltd. ("Nanjing Bestzyme") —cooperative joint venture enterprise	PRC/Mainland China 6 June 2013	US\$ 42,835,219	—	94.62	Manufacture and sale of life science research products and services
Nanjing Legend Biotechnology Co., Ltd. ("Legend Nanjing") —wholly foreign-owned enterprise	PRC/Mainland China 17 November 2014	US\$ 62,500,000	—	64.59	Manufacture and sale of life science research products and services
Shanghai Bestzyme Biological Co., Ltd. ("Shanghai Bestzyme") —limited liability company	PRC/Mainland China 11 December 2018	RMB 3,000,000	—	100	Manufacture and sale of life science research products and services
Jinan Bestzyme Biological Co., Ltd. ("Jinan Bestzyme") —limited liability company	PRC/Mainland China 19 August 2009	RMB 45,436,341	—	76.11	Manufacture and sale of life science research products and services

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the		Principal activities
			Company		
			Direct %	Indirect %	
Jiangsu Genscript Biotech Co., Ltd. ("Jiangsu Jinsirui") —wholly foreign-owned enterprise	PRC/Mainland China 31 August 2016	RMB 604,119,000	—	100	Manufacture and sale of life science research products and services
Legend Biotech USA Incorporated ("Legend USA")	United States of America 31 August 2017	—	—	64.59	Manufacture and sale of life science research products and services
Legend Biotech Ireland Limited ("Legend Ireland")	Ireland 13 November 2017	—	—	64.59	Manufacture and sale of life science research products and services
GenScript Biotech (Netherlands) B.V. ("GS EU")	Netherlands 6 December 2017	—	—	100	Manufacture and sale of life science research products and services
CustomArray, Inc. ("CustomArray")	United States of America 1 January 2018	US\$ 957,800	—	100	Manufacture and sale of life science research products and services
Legend Biotech Corporation ("Legend Cayman")	Cayman Islands 27 May 2016	US\$ 26,328	—	64.59	Investment holding company

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 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 31 December 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 31 December 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	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

3. OPERATING SEGMENT INFORMATION

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

- (a) The life science services and products unit provides comprehensive research services and products, which are widely used and are fundamental to life science 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;
- (e) The operation unit mainly provides shared services to other segments.

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

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2020 (Unaudited)	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 (Note 4)							
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 results	78,019	4,700	4,289	23,146	8,394	(10,375)	108,173
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)

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2019 (Unaudited)	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 (Note 4)							
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 results	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 credit/(expense)	—	—	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)

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographic information

(a) Revenue from external customers

	For the six months ended 30 June	
	2020	2019
	US\$'000 (Unaudited)	US\$'000 (Unaudited)
United States of America	90,312	72,411
Europe	15,917	13,015
China	44,082	25,286
Asia Pacific (excluding China and Japan)	12,889	7,093
Japan	2,680	2,256
Others (including other North American countries, South America and Africa)	514	1,817
Total	166,394	121,878

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

Information about major customers

Revenue of approximately US\$23,146,000 (For the six months ended 30 June 2019:US\$20,639,000) was derived from sales by the cell therapy segment to a single customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Revenue from contracts with customers	166,131	121,878
Revenue from other sources		
Gross rental income from operating leases	263	—
	166,394	121,878

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segment	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
Types of goods or services					
Rendering of services	88,653	18,804	—	—	107,457
Sale of industrial products	24,534	—	10,994	—	35,528
Licence and collaboration revenue	—	—	—	23,146	23,146
Total revenue from contracts with customers	113,187	18,804	10,994	23,146	166,131
Timing of revenue recognition					
Goods transferred at a point in time	24,534	—	10,994	—	35,528
Services transferred at a point in time	88,653	18,804	—	—	107,457
Services transferred over time	—	—	—	23,146	23,146
Total revenue from contracts with customers	113,187	18,804	10,994	23,146	166,131

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

For the six months ended 30 June 2019

Segment	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
Types of goods or services					
Rendering of services	74,253	9,300	—	—	83,553
Sale of industrial products	6,890	—	10,756	—	17,646
Licence and collaboration revenue	—	—	—	20,679	20,679
<hr/>					
Total revenue from contracts with customers	81,143	9,300	10,756	20,679	121,878
<hr/>					
Timing of revenue recognition					
Goods transferred at a point in time	6,890	—	10,756	—	17,646
Services transferred at a point in time	74,253	9,300	—	—	83,553
Services transferred over time	—	—	—	20,679	20,679
<hr/>					
Total revenue from contracts with customers	81,143	9,300	10,756	20,679	121,878

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
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
<hr/>		
	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 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
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
Amortisation of other intangible assets	1,273	890
(Reversal of)/provision 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):		
Wages 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 preferred shares	4,014	—
Fair value loss of convertible redeemable preferred shares	79,984	—
(Reversal of write-down of)/write-down of inventories to net realisable value	(143)	310

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

6. INCOME TAX

Pursuant to the rules and regulations of Cayman and the British Virgin Islands, the Group was not subject to any income tax in Cayman and the British Virgin Islands both in 2019 and 2020.

Hong Kong profits tax was subject to the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits was taxed at 8.25% (2019: 8.25%) and the remaining assessable profits was taxed at 16.5% (2019: 16.5%).

The subsidiaries of the Group operating in the United States of America were subject to federal tax at a rate of 21% (2019:21%) and state tax at a rate of 11.5% (2019: 9%) in New Jersey and 0% (2019:9%) in the State of Washington during the reporting period.

The subsidiary of the Group operating in Ireland was subject to income tax at the rate of 12.5% (2019:12.5%) on the estimated assessable profits arising in Ireland during the reporting period.

The subsidiary of the Group operating in Japan was subject to income tax at a rate ranging from 22% to 31.5% (2019: 22% to 31.5%) depending on its earnings during the reporting period.

The subsidiary of the Group operating in the Netherlands was subject to income tax at the rate of 19% to 25% (2019: 19% to 25%) on the estimated assessable profits arising in the Netherlands during the reporting period.

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

Jiangsu Jinsirui is qualified as Advanced Technology Service Enterprises. It was subject to income tax at a preferential tax rate of 15% (2019:15%) for the reporting period. Jinan Bestzyme is qualified as High and New Technology Enterprises. It was subject to income tax at a preferential tax rate of 15% (2019: 15%) for the reporting period.

6. INCOME TAX (CONTINUED)

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

On 5 June 2020, the board of directors 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.

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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 30 June 2019: 1,845,794,313) in issue during the reporting period.

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

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
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 shares 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
Effect of dilution — weighted average number of ordinary shares:		
Share options	29,137,741	38,830,518
	1,912,381,392	1,884,624,831

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 30 June 2020 and 2019.

9. PROPERTY, PLANT AND EQUIPMENT

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

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

Assets with a net book value of US\$3,982,000 were pledged as security for interest-bearing bank loans as set out in Note 15 to the interim condensed consolidated financial statements.

See Note 20 for capital commitments.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
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.

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

11. TRADE AND NOTES RECEIVABLES

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Trade receivables	63,766	74,107
Notes receivables	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:

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
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 1 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

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
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
Denominated in USD	614,674	159,058
Denominated in HKD	2,283	1,531
Denominated in RMB	79,401	88,154
Denominated in CHF	692	362
Denominated in EUR	1,892	1,406
Denominated in SGD	4,259	—
Denominated in GBP	551	631
Denominated in JPY	2,941	1,255
Cash and cash equivalents	706,693	252,397

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US\$79,401,000 (31 December 2019: US\$88,154,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

13. TRADE AND BILLS PAYABLES

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

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

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
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 terms of 60 to 90 days.

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

14. OTHER PAYABLES AND ACCRUALS

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
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

	Note	30 June 2020			31 December 2019		
		Effective interest rate (%)	Maturity	US\$'000	Effective interest rate (%)	Maturity	US\$'000
Current							
Bank loans — unsecured		3.2–3.5	2021	48,005	2.4–3.8	2020	16,456
Current portion of long term bank loans — secured	(a)	0.32	2021	558	0.32	2020	552
				48,563			17,008
Non-current							
Non-current portion of long term bank loans — secured	(a)	0.32	2022–2024	1,487	0.32	2021–2024	1,748

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

15. INTEREST-BEARING BANK LOANS (CONTINUED)

	30 June 2020 US\$'000	31 December 2019 US\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	48,563	17,008
In the second year	558	552
In the third to fifth years, inclusive	929	1,196
	50,050	18,756

(a) Certain of the Group's bank loan is secured by the land and buildings with book value of approximately US\$11,594,000 (2019:US\$11,547,000).

16. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Non-current		
Licence and collaboration revenue	256,749	277,827
Current		
Licence and collaboration revenue	44,334	46,294
Rendering of services	12,805	13,403
Sales of products	5,444	433
	62,583	60,130
	319,332	337,957

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

17. SHARE CAPITAL AND SHARE PREMIUM

Shares

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Authorised:		
Ordinary shares (of US\$0.001 each)	5,000	5,000
Issued and fully paid:		
Ordinary shares (of US\$0.001 each)	1,918	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 1 January 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 30 June 2020	1,917,922,786	1,918	(17,234)	1,050,710	1,035,394

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

18. SHARE OPTION SCHEME

a) The Company

During the six months ended 30 June 2020, under the Company's Post-IPO share option scheme, the Company granted performance-based share options to certain employees, which are generally vested over a 5-year term. The performance goals are determined by the board of directors. For those awards, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the reversion of original estimates.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The only condition for vesting is service condition.

	For the six months ended 30 June			
	2020		2019	
	Weighted average exercise price US\$ per share	Number of options '000	Weighted average exercise price US\$ per share	Number of options '000
At 1 January	0.4765	227,418	0.3444	261,842
Granted during the period	1.7857	5,525	—	—
Forfeited during the period	1.7753	(2,716)	3.3710	(200)
Exercised during the period	0.1160	(39,546)	0.0842	(24,470)
At 30 June	0.5707	190,681	0.3695	237,172

18. SHARE OPTION SCHEME (CONTINUED)**a) The Company (continued)**

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

30 June 2020 Number of options '000	Exercise price* US\$ per share	Exercise period
194	0.0515	2013/08/10~2025/07/31
68,016	0.0617	2014/12/31~2025/07/31
35,795	0.0772	2010/12/31~2025/07/31
1,432	0.1029	2013/02/10~2025/07/31
8,316	0.1552	2016/06/22~2026/06/21
9,874	0.3102	2017/09/23~2026/09/22
22,812	0.4514	2019/04/25~2027/04/25
10,255	1.0672	2019/12/31~2027/10/10
8,080	1.1969	2019/12/31~2027/11/19
5,525	1.7857	2021/04/29~2030/04/28
1,935	1.7948	2018/11/29~2023/11/28
4,045	2.3444	2020/07/19~2029/07/18
5,335	2.4444	2020/11/29~2029/11/28
9,067	3.3710	2019/01/01~2028/05/03
190,681		

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

18. SHARE OPTION SCHEME (CONTINUED)

a) The Company (continued)

30 June 2019	Exercise price*	Exercise period
Number of options	US\$	
'000	per share	
672	0.0026	2008/05/12~2019/12/31
13	0.0072	2008/09/26~2019/07/31
30	0.0139	2012/11/08~2019/07/31
194	0.0515	2013/08/10~2025/07/31
64,176	0.0617	2014/12/31~2025/07/31
57,462	0.0772	2010/12/31~2025/07/31
38,100	0.1029	2013/02/10~2025/12/31
8,316	0.1552	2016/06/22~2026/06/21
11,185	0.3102	2017/09/23~2026/09/22
24,813	0.4514	2019/04/25~2027/04/24
11,175	1.0672	2019/12/31~2027/10/10
8,635	1.1969	2019/12/31~2027/11/19
3,001	1.7948	2018/11/29~2028/11/28
9,400	3.3710	2019/01/01~2028/05/03
237,172		

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

The fair value of the share options granted during the period was US\$4,840,000 (US\$0.8761 each) (for the period ended 30 June 2019: Nil). The Group recognised a share option expense of US\$5,985,000 (for the period ended 30 June 2019: US\$4,772,000) during the six months ended 30 June 2020.

18. SHARE OPTION SCHEME (CONTINUED)

a) The Company (continued)

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

	30 June 2020	30 June 2019
Dividend yield (%)	—	N/A
Expected volatility (%)	47–48	N/A
Risk-free interest rate (%)	0.64	N/A
Expected life of options (year)	10	N/A
Weighted average share price (HK\$ per share)	13.84	N/A

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

At the end of reporting period, the Company had 190,681,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 190,681,000 additional ordinary shares of the Company, an additional share capital of approximately US\$190,681 and a share premium of approximately US\$108,620,000 (before issue expenses).

b) The Legend

During the six months ended 30 June 2020, under the Company's Legend Share Option Scheme, the Company granted performance-and-time-based share options to certain employees, which are generally vested over a 5-year term. The performance goals are determined by the board of directors. For those awards, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the reversion of original estimates.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

18. SHARE OPTION SCHEME (CONTINUED)

b) The Legend (continued)

The following share options were outstanding during the period:

	For the six months ended 30 June			
	2020		2019	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	US\$ per share	'000	US\$ per share	'000
At 1 January	0.9273	18,013	0.7786	14,331
Granted during the period	11.5000	90	—	—
At 30 June	1.2571	18,103	0.7786	14,331

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

30 June 2020	Exercise price*	Exercise period
Number of options	US\$	
'000	per share	
6,347	0.5000	2019/12/25~2027/12/25
7,283	1.0000	2019/07/01~2028/08/29
656	1.0000	2019/12/31~2028/12/30
3,225	1.5000	2020/07/02~2029/07/01
502	11.5000	2020/11/29~2029/11/28
90	11.5000	2021/06/05~2030/06/05
18,103		

18. SHARE OPTION SCHEME (CONTINUED)

b) The Legend (continued)

30 June 2019 Number of options '000	Exercise price* US\$ per share	Exercise period
7,288	1.0000	2019/01/01~2028/08/29
6,347	0.5000	2019/12/25~2027/12/25
696	1.0000	2019/12/31~2028/12/30
14,331		

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

The fair value of the share options granted during the period was US\$712,260 (US\$7.9140 each) (for the period ended 30 June 2019: Nil). The Group recognised a share option expense of US\$640,000 (for the period ended 30 June 2019: US\$778,000) during the six months ended 30 June 2020.

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

	30 June 2020	30 June 2019
Dividend yield (%)	—	N/A
Expected volatility (%)	87.2	N/A
Risk-free interest rate (%)	0.91	N/A
Expected life of options (year)	10	N/A
Weighted average share price (US\$ per share)	11.5	N/A

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

18. SHARE OPTION SCHEME (CONTINUED)

b) The Legend (continued)

At the end of reporting period, the Legend had 18,103,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 18,103,000 additional ordinary shares of the Legend, an additional share capital of approximately US\$1,810 and a share premium of approximately US\$22,756,000 (before issue expenses).

19. RESTRICTED STOCK SHARES

a) The Company

The Company operates a restricted stock units scheme (the “RSU Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors, including independent non-executive directors, and employees of any member of the Group. The Scheme became effective on March 22, 2019 unless otherwise cancelled or amended. The Scheme has a performance vesting condition and is subject to forfeiture if the participants cannot meet certain performance target set by the board of directors.

The movements in the number of RSUs outstanding for the period ended 30 June 2020 were as follows:

	For the six months ended 30 June	
	Numbers	Numbers
	2020	2019
	'000	'000
At 1 January	1,198	—
Granted during the period	930	—
Forfeited during the period	(40)	—
At 30 June	2,088	—

The fair value of the restricted stock units granted during the period was US\$ 1,661,000(US\$1.786 each) (for the period ended 30 June 2019: Nil), of which the Group recognised a restricted stock units expense of US\$809,000 (for the period ended 30 June 2019: Nil) during the period ended 30 June 2020.

19. RESTRICTED STOCK SHARES (CONTINUED)

b) The Legend

The Company operates a restricted stock unit plan (the "RSU Plan") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Plan include the Company's directors, including independent non-executive directors, and employees of any member of the Group. The Plan became effective on May 26, 2020 unless otherwise cancelled or amended.

The movement in the number of RSU outstanding for the period ended 30 June 2020 was as follows:

	For the six months ended 30 June	
	Numbers	Numbers
	2020 '000	2019 '000
At 1 January	—	—
Granted during the period	52	—
At 30 June	52	—

The fair value of the restricted stock units granted during the period was US\$598,000 (US\$11.5 each) (for the period ended 30 June 2019: Nil), of which the Group recognised a restricted stock units expense of US\$28,000 (for the period ended 30 June 2019: Nil) during the period ended 30 June 2020.

20. COMMITMENTS

(a) The Group had the following capital commitments at the end of the period:

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Contracted, but not provided for: Construction of buildings	53,735	42,177

(b) The Group has various lease contracts that have not yet commenced as at 30 June 2020. The future lease payments for these non-cancellable lease contracts are US\$318,000 (31 December 2019: US\$262,000) due within one year, and US\$35,000 (31 December 2019: US\$22,000) due in the second to fifth years.

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

21. RELATED PARTY TRANSACTIONS

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

Company	Relationship
Hunan Gomeet Biotechnology Co., Ltd. ("Gomeet")	Associate
Maple Bio (Nanjing) Co., Ltd. ("Maple Bio Nanjing")	Associate
Maple Bio HK Limited ("Maple Bio HK")	Associate
Maple Bio ("Maple Bio")	Associate
Gourd Therapeutics, Inc. ("Gourd")	Associate
Nanjing Golden Maple Management Consulting Partnership (Limited Partnership) ("Golden Maple")	Associate
GenScript Corporation ("GS Corp")	The ultimate holding company

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

	Notes	For the six months ended 30 June	
		2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Sales of products to Gomeet	(i)	93	204
Sales of products and service to Maple Bio Nanjing	(i)	22	9
Loans to Maple Bio Nanjing	(ii)	212	—

Notes:

- (i) The prices are mutually agreed after taking into account the prevailing market prices.
- (ii) The loans to Maple Bio Nanjing were unsecured, interest-bearing and repayable within one year.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

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

(i) Due from related parties

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Maple Bio Nanjing	2,277	2,026
Maple Bio HK	406	1
GS Corp	201	55
Maple Bio	89	89
Gomeet	67	97
	3,040	2,268

Excepted for the balance amounting to US\$2,189,000 with Maple Bio Nanjing (2019: US\$2,007,000) which was unsecured, interest-bearing and repayable within one year, the other balances are unsecured, interest-free and have no fixed terms of repayment.

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

	For the six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Short-term employee benefits	1,129	825
Pension scheme contributions	3	16
Equity-settled share option expense	246	340
Total compensation paid to key management personnel	1,378	1,181

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying Amount		Fair Values	
	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Financial Assets				
Trade and notes receivables	67,214	77,503	63,211	73,067
Financial assets included in prepayments, other receivables and other assets	5,764	3,689	5,730	3,655
Financial assets at fair value through profit or loss	54,997	30,101	54,997	30,101
Pledged short-term deposits	3,142	972	3,142	972
Time deposits	173,050	148,693	173,050	148,693
Cash and cash equivalents	706,693	252,397	706,693	252,397
	1,010,860	513,355	1,006,823	508,885
Financial liabilities				
Trade and bills payables	22,733	17,627	22,733	17,627
Financial liabilities included in other payables and accruals (Note 14)	52,139	35,887	52,139	35,887
Interest-bearing bank loans	50,050	18,756	50,050	18,756
	124,922	72,270	124,922	72,270

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

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

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

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

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2020 (Unaudited)

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Financial assets at fair value through profit or loss:	—	54,997	—	54,997
	—	54,997	—	54,997

As at 31 December 2019

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Financial assets at fair value through profit or loss:	—	30,101	—	30,101
	—	30,101	—	30,101

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized by the board of directors on 29 August 2020.