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

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022

INTERIM RESULTS HIGHLIGHTS

- Revenue of the Group for the six months ended June 30, 2022 was approximately US$304.7 million, representing an increase of 32.7% as compared with approximately US$229.6 million for the same period in 2021, among which, the external revenue of non-cell therapy business was approximately US$247.7 million, representing an increase of 26.6% as compared with approximately US$195.7 million for the same period in 2021, and the external revenue of cell therapy business was approximately US$57.0 million, representing an increase of 68.1% as compared with approximately US$33.9 million for the same period in 2021.

- Gross profit of the Group for the six months ended June 30, 2022 was approximately US$175.5 million, representing an increase of 26.6% as compared with approximately US$138.6 million for the same period in 2021, among which, the gross profit of non-cell therapy business before eliminations was approximately US$126.2 million, representing an increase of 16.4% as compared with approximately US$108.4 million for the same period in 2021, and the gross profit of cell therapy business before eliminations was approximately US$52.1 million, representing an increase of 53.7% as compared with approximately US$33.9 million for the same period in 2021.

- Loss of the Group for the six months ended June 30, 2022 was approximately US$225.9 million, whilst loss was approximately US$156.1 million for the same period in 2021.

  The adjusted net loss of the Group was approximately US$130.1 million, whilst the adjusted net loss was approximately US$135.8 million for the same period in 2021, among which, the adjusted net profit of non-cell therapy business before eliminations was approximately US$30.2 million, representing an increase of 14.4% as compared with approximately US$26.4 million for the same period in 2021, and the adjusted net loss of cell therapy business before eliminations was approximately US$160.5 million, whilst the adjusted net loss of cell therapy business before eliminations was approximately US$162.2 million for the same period in 2021.

- During the Reporting Period, the Group invested significantly in 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, 2022, the Group's research and development expenses was approximately US$177.4 million as compared with approximately US$175.1 million for the same period in 2021.

- Loss attributable to the owners of the Company for the six months ended June 30, 2022 was approximately US$131.2 million, whilst loss attributable to the owners of the Company was approximately US$91.1 million for the same period in 2021.

Notes:
(1)

		For the six months ended June 30, 2022 (Unaudited)			
		Non-cell therapy ***US$'000***	**Cell therapy** ***US$'000***	**Eliminations** ***US$'000***	**Total** ***US$'000***
Net loss		(8,234)	(217,867)	172	(225,929)
Excluding:	Share-based compensation expenses, net of tax	21,155	15,125	—	36,280
	Fair value losses of preferred shares and warrants	14,824	31,000	—	45,824
	Consultation and other related costs for the Investigation, net of tax	2,250	—	—	2,250
	Exchange gains or losses, net of tax	(1,325)	9,599	—	8,274
	Fair value losses of non-current financial assets	1,577	—	—	1,577
	Service fees for public offering	—	1,604	—	1,604
Adjusted net profit/(loss)		**30,247**	**(160,539)**	**172**	**(130,120)**

(2) In order to better reflect the key performance of the Group's current business and operations, the adjusted net loss is calculated on the basis of net loss, excluding: (i) share-based compensation expenses, (ii) fair value losses of preferred shares and warrants, (iii) consultation and other related costs for the Investigation (as defined in the announcement of the Company dated September 21, 2020), (iv) exchange gains or losses, (v) fair value gains or losses of non-current financial assets, (vi) service fees for public offering, and (vii) impairment loss on long-term investments and related non-current financial assets. Adjusted expenses also exclude these items.

The board (the "**Board**") of directors (the "**Directors**") of Genscript Biotech Corporation (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2022 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2021 are as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended June 30,	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***US$'000***	*US$'000*
REVENUE	*4*	**304,677**	229,568
Cost of sales		**(129,154)**	(90,949)
Gross profit		**175,523**	138,619
Other income and gains		**9,840**	10,480
Selling and distribution expenses		**(86,942)**	(58,269)
Administrative expenses		**(79,640)**	(56,313)
Research and development expenses		**(177,360)**	(175,130)
Fair value losses of preferred shares and warrants	*17*	**(45,824)**	(1,600)
Other expenses		**(13,256)**	(5,638)
Finance costs		**(3,234)**	(1,142)
Provision for impairment losses on financial assets, net		**(1,535)**	(1,231)
LOSS BEFORE TAX	*5*	**(222,428)**	(150,224)
Income tax expense	*6*	**(3,501)**	(5,925)
LOSS FOR THE PERIOD		**(225,929)**	(156,149)

	Notes	For the six months ended June 30, 2022 (Unaudited) *US$'000*	2021 (Unaudited) *US$'000*
Attributable to:			
Owners of the parent		**(131,202)**	(91,122)
Non-controlling interests		**(94,727)**	(65,027)
		(225,929)	(156,149)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**(US6.28 cents)**	(US4.61 cents)
Diluted		**(US6.28 cents)**	(US4.61 cents)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
LOSS FOR THE PERIOD	**(225,929)**	(156,149)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(20,111)**	6,898
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(20,111)**	6,898
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(20,111)**	6,898
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(246,040)**	(149,251)
Attributable to:		
Owners of the parent	**(155,298)**	(85,588)
Non-controlling interests	**(90,742)**	(63,663)
	(246,040)	(149,251)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at June 30, 2022 (Unaudited)** ***US$'000***	As at December 31, 2021 (Audited) *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**493,445**	439,885
Advance payments for property, plant and equipment		**20,044**	18,512
Investment properties		**5,751**	6,882
Right-of-use assets		**55,284**	59,147
Goodwill		**14,076**	14,151
Other intangible assets		**25,465**	26,423
Investments in associates		**3,318**	3,318
Financial assets at fair value through profit or loss		**10,932**	10,444
Deferred tax assets		**6,335**	5,090
Time deposits	*12*	**4,470**	4,705
Other non-current assets		**7,364**	6,251
Total non-current assets		**646,484**	594,808
CURRENT ASSETS			
Inventories		**49,898**	44,358
Contract costs		**11,391**	8,877
Trade and notes receivables	*10*	**102,339**	142,345
Prepayments, other receivables and other assets		**75,044**	36,054
Financial assets at fair value through profit or loss		**15,083**	2,208
Financial assets measured at amortized cost		**—**	29,937
Loans to associates		**155**	1,680
Restricted cash	*11*	**3,320**	1,444
Time deposits	*12*	**458,334**	190,088
Cash and cash equivalents	*12*	**782,246**	1,180,971
Total current assets		**1,497,810**	1,637,962

	Notes	As at June 30, 2022 (Unaudited) US$'000	As at December 31, 2021 (Audited) US$'000
CURRENT LIABILITIES			
Trade and bills payables	13	**32,867**	30,176
Other payables and accruals	14	**211,420**	213,469
Interest-bearing loans and other borrowings	15	**6,697**	521
Lease liabilities		**7,388**	7,510
Tax payable		**5,039**	6,236
Contract liabilities	16	**100,994**	95,377
Government grants		**833**	740
Financial liabilities at fair value through profit or loss	17	**147,593**	110,338
Total current liabilities		**512,831**	464,367
NET CURRENT ASSETS		**984,979**	1,173,595
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,631,463**	1,768,403
NON-CURRENT LIABILITIES			
Interest-bearing loans and other borrowings	15	**189,511**	121,070
Lease liabilities		**25,638**	27,349
Deferred tax liabilities		**9,941**	7,730
Contract liabilities	16	**228,627**	244,812
Government grants		**17,152**	13,301
Financial liabilities at fair value through profit or loss	17	**271,920**	260,790
Other non-current liabilities		**314**	396
Total non-current liabilities		**743,103**	675,448
NET ASSETS		**888,360**	1,092,955
EQUITY			
Share capital	18	**2,108**	2,096
Treasury shares	18	**(12,357)**	(15,753)
Reserves		**767,596**	893,408
Equity attributable to owners of the parent		**757,347**	879,751
Non-controlling interests		**131,013**	213,204
TOTAL EQUITY		**888,360**	1,092,955

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Genscript Biotech Corporation (the "**Company**") was incorporated on May 21, 2015 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The address of the registered office of the Company is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, 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 December 30, 2015.

In the opinion of the Directors, the ultimate holding company of the Company is Genscript Corporation ("**GS Corp**"), which was incorporated under the laws of the State of Delaware of the United States.

These interim condensed consolidated financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

2.1. Basis of preparation

The interim condensed consolidated financial information for the six months ended June 30, 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021.

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 December 31, 2021, 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	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*

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 five 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; and

(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 before 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.

The segment information for the six months ended June 30, 2022 is as follows:

	Life-science services and products *US$'000*	Biologics development services *US$'000*	Industrial synthetic biology products *US$'000*	Cell therapy *US$'000*	Operation unit *US$'000*	Eliminations *US$'000*	Total *US$'000*
Segment revenue							
Sales to external customers	**170,476**	**60,401**	**16,635**	**57,024**	**141**	**—**	**304,677**
Intersegment sales	**5,524**	**2,250**	**211**	**75**	**27,286**	**(35,346)**	**—**
Total revenue	**176,000**	**62,651**	**16,846**	**57,099**	**27,427**	**(35,346)**	**304,677**
Segment cost of sales	**(76,232)**	**(46,487)**	**(9,662)**	**(5,002)**	**(23,788)**	**32,017**	**(129,154)**
Segment gross profit	**99,768**	**16,164**	**7,184**	**52,097**	**3,639**	**(3,329)**	**175,523**
Other income and gains	**1,316**	**2,692**	**534**	**2,868**	**6,655**	**(4,225)**	**9,840**
Selling and distribution expenses	**(27,620)**	**(7,413)**	**(1,976)**	**(48,742)**	**(1,311)**	**120**	**(86,942)**
Administrative expenses	**(24,401)**	**(11,983)**	**(2,327)**	**(30,699)**	**(11,434)**	**1,204**	**(79,640)**
Research and development expenses	**(21,340)**	**(4,541)**	**(2,301)**	**(150,129)**	**(1,145)**	**2,096**	**(177,360)**
Fair value losses of preferred shares and warrants	**—**	**(15,774)**	**—**	**(31,000)**	**—**	**950**	**(45,824)**
Other expenses	**(50)**	**(63)**	**(21)**	**(9,636)**	**(6,252)**	**2,766**	**(13,256)**
Finance costs	**—**	**(200)**	**(11)**	**(2,618)**	**(603)**	**198**	**(3,234)**
Provision for impairment losses on financial assets, net	**(411)**	**—**	**(139)**	**—**	**(985)**	**—**	**(1,535)**
Profit/(loss) before tax	**27,262**	**(21,118)**	**943**	**(217,859)**	**(11,436)**	**(220)**	**(222,428)**

The segment information for the six months ended June 30, 2021 is as follows:

	Life-science services and Products *US$'000*	Biologics development services *US$'000*	Industrial synthetic biology products *US$'000*	Cell therapy *US$'000*	Operation unit *US$'000*	Eliminations *US$'000*	Total *US$'000*
Segment revenue							
Sales to external customers	146,431	31,184	17,866	33,915	172	—	229,568
Intersegment sales	5,575	318	147	—	3,438	(9,478)	—
Total revenue	152,006	31,502	18,013	33,915	3,610	(9,478)	229,568
Segment cost of sales	(60,269)	(21,525)	(12,927)	—	(1,915)	5,687	(90,949)
Segment gross profit	91,737	9,977	5,086	33,915	1,695	(3,791)	138,619
Other income and gains	—	—	459	2,390	10,453	(2,822)	10,480
Selling and distribution expenses	(21,285)	(5,306)	(1,510)	(30,199)	—	31	(58,269)
Administrative expenses	(3,801)	(1,641)	(1,440)	(18,013)	(32,714)	1,296	(56,313)
Research and development expenses	(13,426)	(5,227)	(2,759)	(154,529)	(1,650)	2,461	(175,130)
Fair value loss of warrant liability	—	—	—	(1,600)	—	—	(1,600)
Other expenses	—	—	(182)	(4,378)	(3,898)	2,820	(5,638)
Finance costs	—	—	(102)	(90)	(955)	5	(1,142)
(Provision for)/reversal of impairment losses on financial assets, net	(1,052)	(201)	—	22	—	—	(1,231)
Profit/(loss) before tax	52,173	(2,398)	(448)	(172,482)	(27,069)	—	(150,224)

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenue		
Revenue from contracts with customers	**304,485**	229,320
Revenue from other sources:		
Gross rental income from operating leases	**192**	248
	304,677	229,568

5. LOSS BEFORE TAX

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Cost of services and products	**64,612**	49,012
Depreciation of items of property, plant and equipment	**23,739**	18,324
Depreciation of right-of-use assets	**3,830**	2,798
Amortization of other intangible assets	**2,263**	1,826
Depreciation of investment properties	**48**	58
Provision for impairment of trade receivables, net	**1,535**	1,231
Lease payments not included in the measurement of lease liabilities	**787**	545
(Reversal)/write-down of inventories to net realizable value	**(2,018)**	344
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	**159,457**	128,038
Pension scheme contributions (defined contribution schemes)	**9,173**	7,066
Share-based compensation expenses	**36,451**	14,510
	205,081	149,614
Foreign exchange losses, net	**7,129**	3,001
Loss on disposal of items of property, plant and equipment	**91**	931
Service fees for public offering	**1,604**	—
Fair value losses of preferred shares and warrants	**45,824**	1,600
Fair value losses of foreign currency forward contracts	**4,711**	106
Fair value losses/(gains) of non-current financial assets	**1,577**	(1,526)

6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current – Mainland China	**2,167**	2,501
Current – Others	**368**	99
Deferred income tax expense	**966**	3,325
Total tax expense for the period	**3,501**	5,925

7. DIVIDENDS

The Board resolved not to declare any interim dividend for the six months ended June 30, 2022 (for six months ended June 30, 2021: Nil).

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

The calculation of the basic loss per share amounts 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 2,090,828,703 (as at June 30, 2021: 1,975,736,267) in issue during the Reporting Period.

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

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic and diluted loss per share calculation:	**(131,202)**	(91,122)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period	**2,098,055,016**	1,984,503,812
Effect of share repurchased	**(7,226,313)**	(8,767,545)
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**2,090,828,703**	1,975,736,267

The diluted loss per share is the same as the basic loss per share because the effect of share options, restricted share units, warrants and convertible redeemable preferred shares were anti-dilutive for the six months ended June 30, 2022 and 2021.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2022, the Group acquired items of property, plant and equipment with a cost of approximately US$101.3 million (for the six months ended June 30, 2021: approximately US$69.5 million).

Assets with a net book value of approximately US$628,000 were disposed of by the Group during the six months ended June 30, 2022 (for the six months ended June 30, 2021: approximately US$2.3 million), resulting in a net loss on disposal of approximately US$91,000 (for the six months ended June 30, 2021: approximately US$931,000).

As at June 30, 2022, assets with a net book value of US$3.1 million were pledged as security for interest-bearing bank loans as set out in note 15 (as at December 31, 2021: US$3.7 million).

10. TRADE AND NOTES RECEIVABLES

	As at June 30, 2022 (Unaudited) *US$'000*	As at December 31, 2021 (Audited) *US$'000*
Trade receivables	**102,284**	138,348
Notes receivable	**4,613**	7,169
	106,897	145,517
Impairment of trade receivables	**(4,558)**	(3,172)
	102,339	142,345

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

	As at June 30, 2022 (Unaudited) *US$'000*	As at December 31, 2021 (Audited) *US$'000*
Within 3 months	**82,151**	127,791
3 months to 6 months	**11,427**	4,068
6 months to 12 months	**4,642**	4,166
Over 1 year	**4,064**	2,323
	102,284	138,348

11. RESTRICTED CASH

	As at June 30, 2022 (Unaudited) *US$'000*	As at December 31, 2021 (Audited) *US$'000*
Pledged for credit cards' facilities	**1,808**	456
Pledged for the letters of guarantee	**1,512**	988
	3,320	1,444

12. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	As at June 30, 2022 (Unaudited) *US$'000*	As at December 31, 2021 (Audited) *US$'000*
Cash and bank balances	**640,246**	966,662
Time deposits	**604,804**	409,102
	1,245,050	1,375,764
Less:		
Non-pledged time deposits with original maturity of more than three months when acquired	**(462,804)**	(194,793)
Cash and cash equivalents	**782,246**	1,180,971

13. TRADE AND BILLS PAYABLES

	As at June 30, 2022 (Unaudited) *US$'000*	As at December 31, 2021 (Audited) *US$'000*
Trade payables	**31,855**	28,693
Bills payable	**1,012**	1,483
	32,867	30,176

An ageing analysis of the trade payables as at the end of the Reporting Period based on the invoice date, is as follows:

	As at June 30, 2022 (Unaudited) *US$'000*	As at December 31, 2021 (Audited) *US$'000*
Within 3 months	**27,954**	23,910
3 months to 6 months	**2,942**	3,059
6 months to 12 months	**496**	1,166
Over 1 year	**463**	558
	31,855	28,693

14. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2022 (Unaudited) *US$'000*	As at December 31, 2021 (Audited) *US$'000*
Accrued expenses	**78,570**	96,991
Payables for purchases of property, plant and equipment	**52,896**	44,882
Accrued payroll and welfare	**46,654**	55,022
Other payables	**24,694**	6,964
Other tax payables	**8,606**	9,610
	211,420	213,469

15. INTEREST-BEARING LOANS AND OTHER BORROWINGS

	Notes	As at June 30, 2022 (Unaudited) Effective interest rate (%)	Maturity	US$'000	As at December 31, 2021 (Audited) Effective interest rate (%)	Maturity	US$'000
Current							
Bank loans – unsecured		**2.60**	**2022**	**6,258**	—	—	—
Current portion of long term bank loans – secured	*(a)*	**0.32**	**2022**	**439**	0.32	2022	521
				6,697			521
Non-current							
Other borrowings – unsecured	*(b)*	**6.09**	**No specific**	**189,218**	3.03	No specific	120,462
Non-current portion of long term bank loans – secured	*(a)*	**0.32**	**2023–2024**	**293**	0.32	2023–2024	608
				189,511			121,070

Notes:

(a) Certain of the Group's bank loan is secured by the land and building in property, plant and equipment and investment properties with book value of approximately US$8.8 million (As at December 31, 2021: US$10.6 million).

(b) As at December 31, 2021 and June 30, 2022, the amount includes principal amounted to US$119.7 million and US$185.9 million and applicable interests accrued amounted to US$0.8 million and US$3.3 million upon such principal, respectively.

16. CONTRACT LIABILITIES

	As at June 30, 2022 (Unaudited) US$'000	As at December 31, 2021 (Audited) US$'000
Non-current		
License and collaboration revenue	**228,627**	244,812
Current		
License and collaboration revenue	**64,654**	60,644
Rendering of services	**36,298**	34,308
Sales of products	**42**	425
	100,994	95,377
	329,621	340,189

17. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2022 (Unaudited) *US$'000*	As at December 31, 2021 (Audited) *US$'000*
Current		
Legend Warrant	**118,900**	87,900
Probio Warrant	**26,132**	22,438
Foreign currency forward contracts	**2,561**	—
	147,593	110,338
Non-current		
Probio Series A Preferred Shares	**271,920**	260,790
	419,513	371,128

The movements of the above financial liabilities are set out below:

	Total *US$'000*
As at January 1, 2022 (audited)	**371,128**
Fair value losses of preferred shares and warrants	**45,824**
Fair value changes of foreign currency forward contracts	**2,561**
As at June 30, 2022 (unaudited)	**419,513**

18. SHARE CAPITAL AND SHARE PREMIUM

Shares

	As at June 30, 2022 (Unaudited) *US$'000*	As at December 31, 2021 (Audited) *US$'000*
Authorized:		
Ordinary shares of US$0.001 each	**5,000**	5,000
Issued and fully paid:		
Ordinary shares of US$0.001 each	**2,108**	2,096

A summary of movements in the Company's share capital and share premium is as follows:

	Number of shares issued and fully paid	Share Capital *US$'000*	Treasury Shares *US$'000*	Share premium *US$'000*	Total *US$'000*
At January 1, 2022 (audited)	**2,095,686,208**	**2,096**	**(15,753)**	**1,352,180**	**1,338,523**
Exercise of share options and restricted share units	**12,087,208**	**12**	**3,396**	**5,058**	**8,466**
At June 30, 2022 (unaudited)	**2,107,773,416**	**2,108**	**(12,357)**	**1,357,238**	**1,346,989**

19. CONTINGENT LIABILITY

On September 17, 2020, the Customs Anti-Smuggling Department (the "**Authority**") of the PRC inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understood to be an investigation relating to suspected violations of import and export regulations under the laws of the PRC (the "**Investigation**"). In connection with the Investigation, certain employees and Dr. Zhang Fangliang ("**Dr. Zhang**"), the non-executive director of the Company and then chairman of the Board, have been arrested for the suspected offence of smuggling goods prohibited by the import and export regulations under the laws of the PRC. Dr. Zhang resigned from the positions of chairman of the Board, non-executive director, member and chairman of the nomination committee of the Company, and the member and chairman of the sanctions risk control committee of the Company on November 22, 2020. In May, 2021, certain subsidiaries and employees of the Company and Dr. Zhang were informed by the Authority that the Investigation has been completed, and the respective matter had been handed over to the Zhenjiang Municipal People's Procuratorate (the "**Procuratorate**") for examination and prosecution. On May 2, 2022, the Company was informed by the Procuratorate that the examination with respect to the Investigation has been concluded, and that the Procuratorate decided not to bring any charge against any entity or individual.

As at the date of this announcement, to the best of the Company's knowledge, there are no formal charges made against any entity within the Group or any individual yet and there have been no other details released by the Authority. The Company is not able to make a sufficiently reliable estimate of the amount of the obligation and no accrual was made in the consolidated financial statements in connection with the Investigation as at June 30, 2022.

The Company will continue to monitor the developments of the Investigation and assess the impact to the consolidated financial statements. Despite the Investigation, the Group's business operations remain normal.

POSITIONING OF THE COMPANY

The Group is a well-recognised biotechnology company. Based on our proprietary gene synthesis technology and the other technology and know-hows on life-science research and application, we have four well established major platforms including (i) a leading life-science services and products platform, (ii) a biologics contract development and manufacturing organization ("**CDMO**") platform, (iii) an industrial synthetic products platform, and (iv) an integrated global cell therapy platform. These internally-built platforms have demonstrated their growth from research and development to commercial delivery for the six months ended June 30, 2022 (the "**Reporting Period**").

The Group has been inspired by the mission "Make People and Nature Healthier through Biotechnology" since its founding 20 years ago. Our clients' business need is our first priority and the ultimate cornerstone for long term development. We have been improving our clients' competitiveness through providing our high-quality, fast-delivery and cost-effective services and products. Internally, we focus on 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 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 industry, to realize multi-win among all participating partners in this industry.

The Group's business operation spans over 100 countries worldwide with our legal entities located in the United States (the "**U.S.**"), Mainland China (the "**PRC**"), Hong Kong, Japan, Singapore, Netherlands, Ireland, the United Kingdom, Korea and Belgium. Our professional workforce has increased to approximately 5,573 personnel as at June 30, 2022.

The life-science services and products segment offers services and products covering gene synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and catalog equipment and consumables. Our business has made an impact on the global life science research community. Over 74,700 international peer reviewed journal articles have cited our services and products as at June 30, 2022.

The CDMO platform provides gene and cell therapy ("**GCT**") and antibody therapeutics discovery and development services to customers worldwide. The CDMO business focused on expanding the 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 the discovery, development, and medium to large scale of manufacturing capacity to meet demands from our customers.

Legend Biotech Corporation ("**Legend**" or "**Legend Biotech**") is the biopharma subsidiary of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Legend's lead product candidate, ciltacabtagene autoleucel (cilta-cel), is a chimeric antigen receptor T-cell ("**CAR-T**") therapy jointly developed with Janssen Biotech, Inc. ("**Janssen**"), for the treatment of multiple myeloma ("**MM**"). In February 2022 (New York time), the FDA approved cilta-cel under the trademark CARVYKTI™ for the treatment of adults with relapsed or refractory MM who have received four or more prior lines

of therapy, including a proteasome inhibitor, an immunomodulatory agent, and an anti-CD38 monoclonal antibody. Please refer to the announcement of the Company dated March 1, 2022 for details. In May 2022 (New York time), European Commission (EC) granted conditional marketing authorization of cilta-cel for the treatment of adults with relapsed and refractory multiple myeloma (RRMM) who have received at least three prior therapies, including a proteasome inhibitor (PI), an immunomodulatory agent (IMiD) and an anti-CD38 antibody, and have demonstrated disease progression on the last therapy. Please refer to the announcement of the Company dated May 26, 2022.

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 feed, alcohol, food, and household care industries. We believe synthetic biology offers us new opportunities from both technical and commercial perspectives.

The Group invested significantly in talent recruitment and research and development to improve our technical competitiveness. We are very confident that our persistent investments and management reforms and streamlining will enable us to achieve a better future ultimately.

BUSINESS REVIEW

For the six months ended June 30, 2022, the Group's overall revenue increased by 32.7% to approximately US$304.7 million (the same period in 2021: approximately US$229.6 million). Gross profit was approximately US$175.5 million, representing an increase of 26.6% from approximately US$138.6 million for the same period in 2021. The loss attributable to the owners of the Company (the "**Shareholder(s)**") was approximately US$131.2 million, whilst the loss attributable to the Shareholders was approximately US$91.1 million for the same period in 2021.

During the Reporting Period, the external revenue of (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy, accounted for approximately 56.0%, 19.8%, 5.5% and 18.7% of the total revenue of the Group, respectively.

Results Analysis of the Four Business Segments

As the Group has reallocated backoffice administrative expenses into each business segment following the establishment of Probio legal entities in the second half of 2021, segment operating profit is not directly comparable to the same period in 2021.

Life-science Services and Products

During the Reporting Period, revenue of life-science services and products amounted to approximately US$176.0 million, representing an increase of 15.8% over the same period in 2021. The gross profit was approximately US$99.8 million during the Reporting Period, representing an increase of 8.8% as compared with approximately US$91.7 million for the same period in 2021. The gross profit margin decreased from 60.3% for the same period in 2021 to 56.7% this Reporting Period. The operating profit of life-science services and products during the Reporting Period was approximately US$26.0 million.

The increase in revenue was mainly attributable to the (i) continued growth in molecular biology, protein and antibody business, (ii) successful commercialisation of innovative platforms such as sgRNA, and partially offset by (iii) the decrease in sales in COVID-19 related products and the negative impact on sales due to pandemics in Shanghai, China. Production efficiency gains contributed positively to gross profit margin while (i) loss from overseas production during the initial capacity ramp-up, (ii) increased freight and duty costs, and (iii) decreased price and volume of COVID-19 related products all had negative impacts on gross profit margin. The operating profit was positively impacted by growth in revenue and gross profit while negatively impacted by (i) increased expenses brought by operation and depreciation of overseas production capacity, and (ii) increment in labor costs brought by research and development.

Biologics Development Services

During the Reporting Period, revenue of biologics development services amounted to approximately US$62.7 million, representing an increase of 99.0% over the same period in 2021. Total backlog for biologics development services reached US$228.0 million as at June 30, 2022. The gross profit was approximately US$16.2 million during the Reporting Period, representing an increase of 62.0% as compared with approximately US$10.0 million for the same period in 2021. Adjusted gross profit was US$23.9 million during the Reporting Period, representing an increase of 125.5% over the same period in 2021. Adjusted gross profit margin expanded from 33.7% for the same period in 2021 to 38.1% this Reporting Period. Adjusted operating profit during the Reporting Period was approximately US$3.2 million.

The growth of revenue was mainly attributable to the (i) significant increase of customer projects from overseas business, (ii) expanded capacity and productivity of pre-clinical and clinical development, and (iii) shorter delivery time for antibody discovery and process development. The adjusted gross profit and adjusted operating profit were positively impacted by higher capacity utilization and production efficiency gains.

Industrial Synthetic Biology Products

During the Reporting Period, revenue of industrial synthetic biology products amounted to approximately US$16.8 million, representing a decrease of 6.7% over the same period in 2021. The gross profit was approximately US$7.2 million, representing an increase of 41.2% as compared with approximately US$5.1 million for the same period in 2021. The gross profit margin increased from 28.3% for the same period in 2021 to 42.9% this Reporting Period. The operating profit of industrial synthetic biology products was approximately US$0.4 million during the Reporting Period, whilst the operating loss was approximately US$0.7 million for the same period in 2021.

The decrease in revenue was mainly due to the (i) active pruning of low or negative profit products, (ii) the feed industry in China downturn which led to reduction of use of feed enzymes, and (iii) the situation in Ukraine and Russia which caused the decrease of orders in Eastern Europe. The increase in both gross profit and operating profit was primarily attribute to the (i) adjustment of product portfolio and enhancement of the promotion of high-margin products, (ii) improvement of production process and workflow, and (iii) profit from the license of patents.

Cell Therapy

During the Reporting Period, revenue of cell therapy amounted to approximately US$57.1 million, representing an increase of 68.4% over the same period in 2021. The gross profit was approximately US$52.1 million during the Reporting Period, representing an increase of 53.7% as compared with approximately US$33.9 million for the same period in 2021. The operating loss of cell therapy was approximately US$180.1 million during the Reporting Period, whilst the operating loss was US$168.9 million for the same period in 2021.

The increase in both revenue and gross profit was primarily attributable to the additional milestones achieved in 2021 and 2022, and thus the further recognition of contract revenue from collaboration with Janssen on developing cilta-cel. The operating loss was primarily attributable to the (i) investment in clinical trials resulting from higher patients enrollment and more pipelines, (ii) cost for commercial preparation activities for the launch of cilta-cel, and (iii) expansion of administrative functions.

FINANCIAL REVIEW

	For the six months ended June 30,		
	2022	2021	Change
	(Unaudited)	(Unaudited)	
	US$'000	*US$'000*	
Revenue	**304,677**	229,568	32.7%
Gross profit	**175,523**	138,619	26.6%
Net loss	**(225,929)**	(156,149)	44.7%
Loss attributable to the Shareholders	**(131,202)**	(91,122)	44.0%
Basic loss per share *(US$)*	**(0.0628)**	(0.0461)	36.2%
Diluted loss per share *(US$)*	**(0.0628)**	(0.0461)	36.2%
Adjusted profit and expenses:			
Gross profit	**184,930**	140,737	31.4%
Selling and distribution expenses	**(81,987)**	(56,413)	45.3%
Administrative expenses	**(64,142)**	(48,977)	31.0%
Research and development expenses	**(166,165)**	(168,455)	(1.4%)

Revenue

During the Reporting Period, the Group recorded revenue of approximately US$304.7 million, representing an increase of 32.7% from approximately US$229.6 million for the same period in 2021. This is mainly attributable to (i) the continued increase of non-cell therapy products and services from major strategic customers and new competitive services and products, especially in biologics development services, and (ii) the increase of contract revenue derived from Legend's collaboration with Janssen with new milestones achieved.

Gross profit

During the Reporting Period, the Group's gross profit increased by 26.6% to approximately US$175.5 million from approximately US$138.6 million for the same period in 2021. This is mainly attributable to the (i) rapid growth of revenue, and (ii) operational efficiency improvement. The increase in gross profit was partially offset by (i) increased share-based compensation expenses to production teams, particularly in biologics development services, and (ii) increased shipping cost. Adjusted gross profit increased by 31.4% over the same period in 2021.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses increased by 49.1% to approximately US$86.9 million from approximately US$58.3 million for the same period in 2021. This increase is mainly driven by (i) more investment on talent with recruiting experienced personnel with competitive packages, (ii) increased expenses, primarily attributable to the global expansion of our business, and (iii) increased marketing expenses related to Legend's collaboration with Janssen. Adjusted selling and distribution expenses increased 45.3% over the same period in 2021.

Administrative expenses

During the Reporting Period, the Group's administrative expenses increased by 41.4% to approximately US$79.6 million from approximately US$56.3 million for the same period in 2021. This is mainly attributable to (i) more investment on talent with recruiting experienced personnel with competitive package and share-based compensation expenses for all business segments, and (ii) the reinforcement of some key administrative functions to support the Group's overall business expansion and compliance. Adjusted administrative expenses increased 31.0% over the same period in 2021.

Research and development expenses

During the Reporting Period, the research and development expenses kept stable and increased by 1.3% to approximately US$177.4 million from approximately US$175.1 million for the same period in 2021. This is mainly attributable to (i) the continuous investment in talents with competitive package and share-based compensation expenses, and (ii) continuous investment in new products and services, which will significantly strengthen our competitiveness. Adjusted research and development expenses decreased by 1.4% over the same period in 2021.

Fair value losses of preferred shares and warrants

On August 18, 2021 (New York time), Probio Technology Limited ("**Probio Cayman**"), an indirectly wholly owned subsidiary of the Company before the closing of the Probio Cayman Purchase (as defined below), entered into a purchase agreement with certain investors, whereby Probio Cayman agreed to sell certain series A preferred shares and Probio Warrant (the "**Probio Cayman Purchase**"). Pursuant to the purchase agreement, the total proceeds from purchase of Series A preferred shares is US$150.0 million, and Probio Cayman issued the Probio Warrant to the investors to purchase the ordinary shares of Probio Cayman at a certain price per share for up to an aggregate amount of US$125.0 million. Please refer to the announcements of the Company dated May 14, 2021, June 7, 2021, August 19, 2021 and September 5, 2021 for details.

On May 13, 2021 (New York time), Legend entered into a subscription agreement with an investor relating to the offer and sale of 20,809,850 ordinary shares of Legend in a private placement at a purchase price of US$14.41625 per ordinary share of Legend (the "**Legend Offering**"). The total proceeds from the Legend Offering is US$300.0 million. Pursuant to the subscription agreement, Legend also issued concurrently with the Legend Offering a warrant (the "**Legend Warrant**") exercisable for up to an aggregate of 10,000,000 ordinary shares of Legend (such transaction together with the Legend Offering, the "**Legend Subscription**"). The completion of the Legend Subscription took place on May 21, 2021 (the "**Legend Closing Date**"). The Legend Warrant will be exercisable, in whole or in part, at an exercise price of US$20.0 per ordinary share of Legend. The Legend Warrant is exercisable after the Legend Closing Date and prior to the two-year anniversary of the Legend Closing Date. Please refer to the announcements of the Company dated May 14, 2021 and May 23, 2021 for details.

The Probio Series A Preferred Shares, the Probio Warrant and the Legend Warrant are accounted for as financial liabilities measured at fair value with changes through profit or loss in accordance with relevant HKFRS.

As at June 30, 2022, the fair value of the Probio Series A Preferred Shares and Probio Warrant were assessed at approximately US$298.0 million and the fair value of the Legend Warrant was assessed at approximately US$118.9 million. The total fair value losses of approximately US$45.8 million were recorded during the Reporting Period due to the changes in fair value of these financial liabilities.

Income tax expense

During the Reporting Period, the income tax expense decreased from approximately US$5.9 million for the same period in 2021 to approximately US$3.5 million this Reporting Period.

Net loss

During the Reporting Period, net loss of the Group was approximately US$225.9 million, whilst the net loss for the same period in 2021 was approximately US$156.1 million. Adjusted net loss of the Group was approximately US$130.1 million.

Working capital and financial resources

As at June 30, 2022, the cash and cash equivalents of the Group amounted to approximately US$782.2 million (as at December 31, 2021: approximately US$1.2 billion). As at June 30, 2022, the restricted cash of the Group amounted to approximately US$3.3 million (as at December 31, 2021: approximately US$1.4 million).

As at June 30, 2022, the Group had available unutilized bank facilities of approximately US$13.7 million (as at December 31, 2021: approximately US$145.5 million).

Capital expenditure

During the Reporting Period, capital expenditure incurred in purchasing software was approximately US$1.4 million, capital expenditure incurred in purchasing property, plant and equipment and construction in process was approximately US$81.1 million.

Significant investments held, material acquisitions and disposals

Acquisition of Properties in Zhenjiang

On June 27, 2022, Jiangsu GenScript Biotech Co., Ltd.* (江蘇金斯瑞生物科技有限公司) ("**Genscript Jiangsu**"), an indirect wholly-owned subsidiary of the Company, Jiangsu GenScript ProBio Biotech Co., Ltd* (江蘇金斯瑞蓬勃生物科技有限公司) ("**Probio Jiangsu**"), an indirect non-wholly-owned subsidiary of the Company, and two sellers entered into the properties purchase agreements, pursuant to which the sellers sold and Genscript Jiangsu and Probio Jiangsu acquired eight buildings from the sellers. All eight buildings are situated at the Science Technology Park Development Zone, Zhenjiang, Jiangsu Province, the PRC. Please refer to the announcement of the Company dated June 29, 2022 for details.

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

Bank loans and other borrowings

As at June 30, 2022, Nanjing GenScript Biotech Co., Ltd. ("**GS China**") borrowed short-term interest-bearing loans from Citi Bank for a total amount of RMB42.0 million (equivalent to approximately US$6.3 million) with interest rate at 2.6%. GS China used such loans for daily operation.

As at June 30, 2022, GenScript Japan Inc. ("**GS JP**") had a long-term interest-bearing loan from Mizuho Bank for a total amount of JPY100.0 million (equivalent to approximately US$732,000) with a floating interest rate at the TIBOR (Tokyo Interbank Offered Rate) rate plus 0.25%, which was secured by the building and freehold land held by GS JP. GS JP used such a loan to purchase building.

As at June 30, 2022, Legend took funding advances with principal amounted to US$185.9 million with a collaborator. Pursuant to the license and collaboration agreement entered into with the collaborator, Legend is entitled to receive funding advances from the collaborator when certain operational conditions are met. As a result, Legend took an initial funding advance amounting to US$17.3 million on June 18, 2021, second amounting to US$53.1 million on September 17, 2021, third amounting to US$49.3 million on December 17, 2021, fourth amounting to US$5.3 million on March 18, 2022 and fifth amounting to US$60.9 million on June 17, 2022, by reducing the same amount of other payables due to the collaborator (collectively, the "**Funding Advances**"). As at June 30, 2022, Legend recorded interest payables of US$3.3 million for the Funding Advances.

This Funding Advances are accounted for as interest-bearing borrowings funded by the collaborator, constituted by a principal and applicable interests upon such principal. The respective interest rate of each borrowing is based on the average annual LIBOR (London Interbank Offered Rate) for U.S. Dollars as reported in the Wall Street Journal on the due date, plus 2.5%, calculated on the number of days from the date on which Legend applied such borrowings.

Pursuant to the terms of the license and collaboration agreement, the collaborator may recoup the aggregate amount of Funding Advances together with interest thereon from Legend's share of pre-tax profits for the first profitable year of the collaboration program. The Company's management estimated the loans will not be recouped by the collaborator within one year, and thus the loans was classified as a long-term liability.

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

Provision, contingent liabilities and guarantees

On September 17, 2020, the Customs Anti-Smuggling Department (the "**Authority**") of the People's Republic of China inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understood to be an investigation relating to suspected violations of import and export regulations under the laws of the PRC (the "**Investigation**").

In May 2021, certain subsidiaries and employees of the Company and Dr. Zhang Fangliang have been informed by the Authority that the Investigation has been completed, and the respective matter has been handed over to the Zhenjiang Municipal People's Procuratorate (the "**Procuratorate**") for examination and prosecution. Please refer to our announcement dated May 25, 2021 for details.

On May 2, 2022, the Company has been informed by the Procuratorate that the examination with respect to the Investigation has been concluded, and that the Procuratorate decided not to bring any charge against any entity or individual.

As previously disclosed in the Company's annual results announcement for the year ended December 31, 2021 dated March 20, 2022, as at September 23, 2021, the bank balances frozen by the Authority in connection with the Investigation had been fully unfrozen. On May 12, 2022, the Company made a deposit of RMB7.0 million (equivalent to approximately US$1.1 million) in connection with the Investigation to the Authority.

Save as above, as at June 30, 2022, the Group did not have any other material contingent liabilities or guarantees.

No material adverse change

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group from the information disclosed under Management Discussion and Analysis in the Company's annual report for the year ended December 31, 2021 up to the date of this announcement.

Charges on group assets

As at June 30, 2022, the building and freehold land located in Tokyo, Japan of approximately JPY1.2 billion (equivalent to approximately US$8.8 million) was pledged by GS JP to secure a loan of JPY100.0 million (equivalent to approximately US$732,000).

As at June 30, 2022, bank balances of approximately US$1.8 million were pledged for credit cards' facilities and of approximately US$1.5 million were pledged for the letters of guarantee to suppliers.

Save as above, as at June 30, 2022, the Group did not have any other charges on its assets.

Current ratio and gearing ratio

As at June 30, 2022, the Group's current ratio (current assets to current liabilities) was approximately 2.9 (as at December 31, 2021: approximately 3.5), and gearing ratio (total liabilities to total assets) was approximately 58.6% (as at December 31, 2021: approximately 51.0%).

Future plans for material investments or capital assets

The Group plans to actively build manufacturing capacity globally to satisfy the strong customer demand.

For life-science services and products, the Group plans to continue to invest to upgrade and expand automated gene synthesis and related molecular biology capacity in China and the U.S., expand peptide and oligo synthesis capacity in China, build molecular biology and protein and cell engineering facility in Singapore, and establish GMP grade manufacturing capacity globally for key reagents and equipment in the GCT supply chain.

For biologics development services, the Group plans to expand antibody discovery, process development and GMP manufacturing capacity in China, and build more GMP manufacturing facilities both in China and the U.S. for plasmid and virus production.

The Group also plans to invest to upgrade supply chain and IT infrastructures as well as other supporting functions to improve operating efficiency and accommodate the rapid business growth we are expecting.

Save as disclosed above, there was no other specific plan for material investments or capital assets as at June 30, 2022.

RISK MANAGEMENT

COVID-19 pandemic risk

During the Reporting Period, although the COVID-19 pandemic has been effectively contained in the PRC, a series of precautionary and control measures have been and continued to be implemented across the PRC. Such measures may have a negative impact on our customers' demand and our

operations in the PRC. The Group has been closely monitoring the impact of the COVID-19 pandemic on the Group's businesses and has put into place various measures, such as multi-site production and key operation team backups, to ensure business continuity in the PRC. Based on the information currently available, the Directors consider that there has been limited material adverse change on the financial and operating position of the Group up to the date of this announcement. The Group will continue to pay close attention to the development of the COVID-19 outbreak and perform further assessment of its impact and will take relevant measures.

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 mismatch of currencies we receive from customers and currencies we use to pay to our employees and suppliers, as well as 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.

The Group adopts a hedging policy to manage our exposure to foreign exchange risk in relation to US$, aiming to control foreign exchange risk to an acceptable level by ensuring that we will only consider hedging operational flows. As at June 30, 2022, the Group had outstanding foreign currency forward contracts in respect of RMB against US$ of notional principal amounts of approximately US$119.0 million (as at December 31, 2021: approximately US$112.0 million). The management of the Company will continue to evaluate the Group's foreign exchange risk management procedures and take actions as appropriate to minimise the Group's exposure whenever necessary.

The changes in fair value of the foreign currency forward contracts were recognised in the consolidated statement of profit or loss. All of the foreign currency forward contracts are to be settled within one year.

Cash flow and fair value interest rate risk

As at June 30, 2022, other than bank balances with variable interest rates and short-term deposits, the Group has financial products of approximately US$15.1 million related to fair value interest rate risk. The Directors consider that both the exposure of cash flow interest rate risks arising from variable-rate bank balances and the exposure of fair value interest rate arising from financial products are insignificant, because the current market interest rates are relatively low and stable, and therefore no sensitivity analysis on such risk has been prepared.

The Group is also exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to variable-rate bank loans and other borrowings. The Company currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

The sensitivity analysis is based on the exposure to interest rates for bank loans and other borrowings at the end of the Reporting Period. The management of the Company considers that the exposure of cash flow interest rate risk arising from bank loans and other borrowings is insignificant. A 50 basis point increase or decrease in interest rates are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change.

Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on customers and counterparties. These evaluations focus on the 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. 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.

Regulatory risk

The Biosecurity Law of the PRC (《中華人民共和國生物安全法》) (the "**Biosecurity Law**"), promulgated by the Standing Committee of National People's Congress on October 17, 2020 and came into effect on April 15, 2021, establishes an integrated system to regulate biosecurity-related activities in China, including the security regulation of human genetic resources (the "**HGR**") and biological resources. The Biosecurity Law declares that China enjoys sovereignty over its HGR and biological resources and further endorsed the Regulation for the Administration of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》) by recognizing the fundamental regulatory principles and systems established by it over the preservation, collection, transaction or exportation of China's HGR by foreign organizations and individuals. Although the Biosecurity Law does not provide any specific new regulatory requirements on the HGR, it grants China's primary regulatory authorities of HGR, i.e. the Ministry of Science and Technology, significantly more power and discretion to regulate the HGR. It is expected that the overall regulatory landscape for China's HGR will evolve and become even more rigorous. In addition, the interpretation and application of the data protection laws and regulations in China and elsewhere in the world are often uncertain and constantly changing.

The Group has formed a biosecurity committee which comprises professionals with years of experiences and diversified backgrounds in different industries and functions. The committee members are responsible for actively following new laws, regulations and guidelines published by regulatory authorities and promoting improvements in the compliance of the Group with such laws, regulations and guidelines.

Risks related to international trade agreements, tariffs and import/export regulations

In recent years, more material uncertainties arose in international trade agreements, tariffs and import/export regulations. The momentum of international trade protectionism and unilateralism is growing. The U.S. and the PRC governments have held numerous rounds of negotiations. If any new legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, or if the U.S. or the PRC imposes additional burdens on international trade that negatively affect the ability of both countries to import and export goods, it may lead to a decline in material supply and demand of the Group's services. In order to mitigate this, the Group continuously increased the layout of global service capacities.

Risk related to the holding foreign companies accountable act

On April 12, 2022, pursuant to the Holding Foreign Companies Accountable Act (the "**HFCA Act**"), the U.S. Securities and Exchange Commission (the "**SEC**") identified Legend Biotech as an issuer utilizing an auditor restricted from Public Company Accounting Oversight Board (the "**PCAOB**") inspection. This was anticipated by Legend Biotech and came after Legend Biotech's filing of its annual report on Form 20-F with the SEC on March 31, 2022. This identification does not mean Legend Biotech's ADSs, which are currently traded on the Nasdaq Global Select Market, will be de-listed from Nasdaq. Delisting under the HFCA Act could occur if Legend Biotech's auditor cannot be inspected by the PCAOB for three consecutive years, starting from the year ended December 31, 2021. There is, in addition, pending legislation to shorten that period from three to two years.

On May 3, 2022, the audit committee of the board of directors of Legend Biotech resolved that Ernst & Young Hua Ming LLP, located in Shanghai, People's Republic of China, would resign as Legend Biotech's independent registered public accounting firm for the audits of the Legend Biotech's financial statements and internal control over financial reporting to be filed with the SEC, effective on the date that Legend Biotech furnishes its financial results for the first quarter of 2022 with the SEC on Form 6-K. On the same day, the audit committee of the board of directors of Legend Biotech approved the engagement of Ernst & Young LLP, located in the United States as Legend Biotech's independent registered public accounting firm for the audits of Legend Biotech's financial statements and internal control over financial reporting for the fiscal year ending December 31, 2022 to be filed with the SEC and Legend Biotech subsequently entered into an engagement letter with the Ernst & Young LLP.

Please refer to the announcements of the Company dated April 14, 2022 and May 9, 2022 for details.

Employees and remuneration policies

As at June 30, 2022, the Group had a total of approximately 5,573 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, compensation, 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, other employees' benefits and long term incentives, which are determined with reference to their capability, responsibility, performance, and other general factors.

During the Reporting Period, the Group's total expenses on the remuneration of employees (including the Directors and the chief executive) was approximately US$205.1 million, representing 67.3% of the total revenue of the Group. This significant increase in labor costs is primarily driven by the increase in performance-based long term incentives. The Group views this 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 the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). On December 21, 2017, the Company approved and adopted the share option scheme of Legend (the "**Subsidiary Share Option Scheme**"). On March 22, 2019, the Company adopted the restricted share award scheme (the "**2019 RSA Scheme**"). On May 26, 2020, the shareholders of Legend approved and adopted the restricted shares plan of Legend (the "**Legend Restricted Shares Plan**"). On August 3, 2021, the shareholders of Probio Cayman Technology Limited ("**Probio Cayman**") approved and adopted the restricted share unit award scheme of Probio Cayman (the "**Probio RSUA Scheme**"). On August 23, 2021, the Company adopted the restricted share award scheme (the "**2021 RSA Scheme**").

No further options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on the Stock Exchange.

No options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

During the Reporting Period, 164,361 restricted shares, 588,016 restricted shares and 22,626 restricted shares were granted under the 2019 RSA Scheme to the chief executive of the Company on January 10, 2022, March 22, 2022 and May 26, 2022, respectively, 81,513 restricted shares were granted under the 2019 RSA Scheme to certain employees on March 22, 2022. Please refer to our announcements dated January 10, 2022, March 23, 2022 and May 27, 2022 for details. Save as disclosed, no other restricted shares have been granted under the 2019 RSA Scheme during the Reporting Period.

During the Reporting Period, 1,734,602 restricted shares and 2,224,402 restricted shares were granted and accepted under the 2021 RSA Scheme to certain employees on March 22, 2022 and May 26, 2022, respectively. Please refer to our announcements dated March 23, 2022 and May 27, 2022 for details. Save as disclosed, no other restricted shares have been granted under the 2021 RSA Scheme during the Reporting Period.

During the Reporting Period, 2,205,000 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.

During the Reporting Period, 2,027,802 restricted share units were granted under the Legend Restricted Shares Plan on January 14, 2022, February 11, 2022, March 25, 2022, March 31, 2022, April 25, 2022, May 13, 2022, June 15, 2022 and June 30, 2022. Save as disclosed, no other restricted shares or restricted share units have been granted under the Legend Restricted Shares Plan during the Reporting Period.

No restricted share units have been granted under the Probio RSUA Scheme during the Reporting Period.

The number of employees of the Group categorized by function as at June 30, 2022 is set forth as follows:

Function	**Number of employees**	**Percentage of Total**
Production	2,460	44.1%
Sales and marketing	556	10.0%
Administration	1,034	18.6%
Research and development	732	13.1%
Management	791	14.2%
Total	5,573	100.0%

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

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

IMPORTANT EVENTS

In February 2022 and April 2022, the milestones relating to the clinical development of cilta-cel have been achieved according to the terms and conditions of the collaboration agreement entered into among Legend USA, Legend Biotech Ireland Limited and Janssen, resulting in aggregate payments to Legend of US$100.0 million. Please refer to the announcements of the Company dated February 11, 2022 and April 21, 2022 for details.

In March 2022, the U.S. Food and Drug Administration has approved Legend Biotech's first product, CARVYKTI™ (ciltacabtagene autoleucel), for the treatment of adults with relapsed or refractory multiple myeloma (RRMM) who have received four or more prior lines of therapy, including a proteasome inhibitor, an immunomodulatory agent and an anti-CD38 monoclonal antibody. Please refer to the announcement of the Company dated March 1, 2022 for details.

In May 2022, the European Commission has granted conditional marketing authorization of CARVYKTI™ (ciltacabtagene autoleucel; cilta-cel) for the treatment of adults with relapsed and refractory multiple myeloma (RRMM) who have received at least three prior therapies, including a proteasome inhibitor, an immunomodulatory agent and an anti-CD38 antibody, and have demonstrated disease progression on the last therapy. Please refer to the announcement of the Company dated May 26, 2022 for details.

On July 2, 2022, Probio Cayman entered into a subscription agreement with an investor, pursuant to which Probio Cayman issued and sold and the investor purchased 57,314,000 series B preferred shares of Probio Cayman ("**Probio Series B Financing**"). The completion of the Probio Series B Financing took place on July 6, 2022. Please refer to the announcements of the Company dated July 4, 2022 and July 6, 2022 for details.

On July 27, 2022 (after trading hours, Hong Kong time), Legend Biotech entered into the Underwriting Agreement with underwriters in relation to the Follow-on Public Offering of 8,140,000 American Depositary Shares ("**ADSs**"), with the additional 1,221,000 ADSs purchased by the underwriters by exercising their options, at a price to the public of US$43.00 per ADS and each ADS will represent two ordinary shares of Legend Biotech. On 29 July, 2022 (after trading hours, Hong Kong time), the Follow-on Public Offering has been closed. Please refer to the announcements of the Company dated July 26, 2022, July 27, 2022, July 28, 2022 and July 31, 2022 for details.

PROSPECTS

During the Reporting Period, the COVID-19 pandemic continues to profoundly reshape the society, international relationships and the global economy. The importance of investment in the life-science and healthcare industry to develop new therapeutic modalities that are cost-effective, personalized, and potentially curative is evermore present.

The Group has long established a strategy to focus our research and development efforts as well as capital investment commitment in the GCT area, not only developing innovative cell therapy products such as CARVYKTI™, but also developing enabling technology for GCT-related research and manufacturing process. We believe our products and services are highly competitive in serving the fast growing demand in this market.

In life-science business, our technology platform and capacity expansion have enabled us to address the booming opportunities arising from GCT research and its clinical development needs. Many of our customers, from academia, government, biotech and pharmaceutical organizations, are using our enabling tools and services to conduct research on cancer, rare diseases, infectious diseases, and so on. These exciting research may one day turn into vaccines, therapeutics and diagnostics products that may save and improve millions of lives.

In the CDMO field, we are observing an increasing number of biologics and GCT programs entering the later clinical stages and commercialisation, including antibody drugs, CAR-T therapies, and mRNA vaccines for COVID-19. As a leader of GCT CDMO service in China, we will benefit from this market trend. We also expect more recurring revenue and better profitability in our CDMO business as we continue to grow with our customer projects.

For industrial synthetic biology products, our enzyme products support various important industries including grain processing, feed and household care, with high standard of quality and performance. Furthermore, we use biological process to replace traditional chemical process, enable our customer to achieve better yield and environmentally friendly production. With the synthetic biology platform, we believe our technology will meet demand from various industrial applications and reinvent some industries into more sustainable business.

For cell therapy, we have witnessed the initiation of the commercialisation of CARVYKTI™ in the U.S., which is jointly developed by Legend and Janssen. We believe that CAR-T has great potential to save lives and improve patient life quality in areas at blood cancers, solid tumors and infectious diseases.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended June 30, 2022, neither the Directors nor any of their close associates had any interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

USE OF NET PROCEEDS

Use of Proceeds from Top-up placing

On June 5, 2018, the Company entered into a placing and subscription agreement with GS Corp, 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 approximately HK$2.0 billion (equivalent to approximately US$251.3 million). Please refer to the announcements of the Company 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:

	Unutilized amount as at January 1, 2022 *US$ million*	**Utilized amount during the Reporting Period** *US$ million*	**Unutilized amount as at June 30, 2022** *US$ million*	**Intended year of application**
Building up the GMP manufacturing facilities for plasmid and biologics products	36.5	17.6	18.9	2022 to 2023
Total	36.5	17.6	18.9	

Use of Proceeds from the Subscription Under General Mandate

On May 14, 2021, the Company and GNS entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which GNS subscribed for an aggregate 102,981,853 new Shares issued by the Company of HK$18.658 per Share under the Company's general mandate (the "**Subscription**"). The conditions of the Subscription Agreement have been fulfilled and the completion of the Subscription took place on June 10, 2021. The total amount of net proceeds received by the Company was approximately HK$1.9 billion (equivalent to approximately US$247.9 million). Please refer to the announcements of the Company dated May 14, 2021, June 7, 2021 and June 10, 2021.

A detailed breakdown and description of the use of the net proceeds from the Subscription is set forth as follows:

	Unutilized amount as at January 1, 2022 *US$ million*	**Utilized amount during the Reporting Period** *US$ million*	**Unutilized amount as at June 30, 2022** *US$ million*	**Intended year of application**
Investment in research and development	37.0	25.3	11.7	2022 to 2023
Expansion of manufacturing facilities	131.2	44.7	86.5	2022 to 2023
Total	168.2	70.0	98.2	

MODEL CODE FOR SECURITIES TRANSACTIONS OF THE DIRECTORS

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

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

CORPORATE GOVERNANCE

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

The Company has been in compliance with the code provisions of the CG Code 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 reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2022 and was of the opinion that such interim results had been prepared in accordance with the relevant accounting standards, laws and regulations, and that adequate disclosures have been made in accordance with the requirements of the Listing Rules. The unaudited interim results of the Group for the six months ended June 30, 2022 has not been reviewed by the auditor of the Company.

SANCTIONS RISK CONTROL COMMITTEE

During the Reporting Period to the date of this announcement, the sanctions risk control committee of the Company (the "**Sanctions Risk Control Committee**") held three meetings on January 26, 2022, March 30, 2022 and May 25, 2022 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 chief executives are as follows:

Dr. Zhang Fangliang has been appointed as the non-executive director of the Company since May 2022 and as the director of Legend Biotech and Probio Technology Limited since August 2022. Dr. Zhang Fangliang has resigned as the director of Nanjing Jinsirui Biotechnology Co., Ltd.* (南京金斯瑞生物科技有限公司) in June 2022.

Ms. Wang Jiafen has resigned as the director of Shanghai Xintonglian Packaging Co., Ltd (上海新通聯包裝股份有限公司) (SHA: 603022) in June 2022.

Mr. Dai Zumian has been appointed as the independent non-executive director of Beijing Hanyi Keyin Information Technology Co., Ltd.* (北京漢儀創新科技股份有限公司) (SZ: 301270), a company listed on the Growth Enterprise Market of the Shenzhen Stock Exchange from August 31, 2022, since September 2019.

Dr. Wang Xuehai has resigned as the vice chairman of Hubei Federation of Industry and Commerce* (湖北省工商業聯合會) in June 2022 and as the vice chairman of Hubei Youth Federation* (湖北省青年聯合會) in August 2022.

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 2021 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.

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

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

ACKNOWLEDGEMENT

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

By order of the Board
Genscript Biotech Corporation
Meng Jiange
Chairman and Executive Director

Hong Kong, August 31, 2022

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

* *For identification purposes only*