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Genscript Biotech Corporation
金斯瑞生物科技股份有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1548)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

ANNUAL RESULTS HIGHLIGHTS

- For the year ended December 31, 2017, the revenue of the Group was approximately US$152.6 million, representing an increase of 33.0% as compared with approximately US$114.7 million for the year ended December 31, 2016.

- For the year ended December 31, 2017, the gross profit increased by 37.3% from approximately US$76.2 million in 2016 to approximately US$104.6 million.

- For the year ended December 31, 2017, the profit of the Group increased by 1.9% from approximately US$26.5 million in 2016 to approximately US$27.0 million. The adjusted net profit (excluding investment income/loss, foreign currency exchange gain/loss and share-based payment expenses) was approximately US$35.7 million, representing an increase of 53.2% from approximately US$23.3 million in 2016.

- For the year ended December 31, 2017, profit attributable to owners of the Company decreased by 0.4% from approximately US$26.2 million recorded in 2016 to approximately US$26.1 million. The adjusted net profit attributable to owners of the Company (excluding investment income/loss, foreign currency exchange gain/loss and share-based payment expenses) was approximately US$34.8 million, representing an increase of 52.0% from approximately US$22.9 million in 2016.

The board of directors (the "**Directors**") (the "**Board**") of Genscript Biotech Corporation (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2017 (the "**Reporting Period**" or the "**Year**"), together with the comparative figures for the year 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended December 31,	
		2017	2016
	Notes	***US$'000***	*US$'000*
REVENUE	4	**152,649**	114,735
Cost of sales		**(48,058)**	(38,506)
Gross profit		**104,591**	76,229
Other income and gains	4	**6,386**	7,745
Selling and distribution expenses		**(24,908)**	(20,867)
Administrative expenses		**(40,094)**	(30,429)
Other expenses		**(7,415)**	(159)
Finance costs	6	**–**	(10)
Share of losses of associates		**(39)**	–
PROFIT BEFORE TAX	5	**38,521**	32,509
Income tax expense	7	**(11,516)**	(5,974)
PROFIT FOR THE YEAR		**27,005**	26,535
Attributable to:			
Owners of the parent		**26,123**	26,170
Non-controlling interests		**882**	365
		27,005	26,535
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**US1.52 cents**	US1.57 cents
Diluted		**US1.51 cents**	US1.53 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
PROFIT FOR THE YEAR	**27,005**	26,535
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**12,816**	(10,646)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**12,816**	(10,646)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**12,816**	(10,646)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**39,821**	15,889
Attributable to:		
Owners of the parent	**38,603**	15,769
Non-controlling interests	**1,218**	120
	39,821	15,889

CONSOLIDATED BALANCE SHEET

		Year ended December 31,	
		2017	2016
	Notes	***US$'000***	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**80,508**	43,735
Advance payments for property, plant and equipment		**2,460**	2,181
Prepaid land lease payments	10	**10,189**	7,782
Goodwill	11	**1,470**	1,384
Other intangible assets	12	**2,467**	2,130
Deferred tax assets		**7,525**	4,911
Available-for-sale investments	13	**1,136**	–
Investments in associates	14	**614**	–
Total non-current assets		**106,369**	62,123
CURRENT ASSETS			
Inventories	15	**6,878**	4,237
Trade and notes receivables	16	**255,351**	20,022
Prepayments, deposits and other receivables	17	**8,329**	2,984
Available-for-sale investments	18	**3,088**	–
Pledged short-term deposits	19	**392**	202
Cash and cash equivalents	19	**123,857**	136,464
Total current assets		**397,895**	163,909

		Year ended December 31,	
		2017	2016
	Notes	***US$'000***	*US$'000*
CURRENT LIABILITIES			
Trade and notes payables	20	**8,154**	4,352
Other payables and accruals	21	**251,925**	30,326
Tax payable		**12,547**	4,493
Government grants	22	**90**	44
Total current liabilities		**272,716**	39,215
NET CURRENT ASSETS		**125,179**	124,694
TOTAL ASSETS LESS CURRENT LIABILITIES		**231,548**	186,817
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**342**	447
Government grants	22	**2,887**	2,349
Total non-current liabilities		**3,229**	2,796
NET ASSETS		**228,319**	184,021
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	**1,734**	1,692
Reserves		**216,075**	175,921
		217,809	177,613
Non-controlling interests		**10,510**	6,408
Total equity		**228,319**	184,021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2017

	Attributable to owners of the parent									
	Share capital *US$'000*	Share premium* *US$'000*	Merger reserve* *US$'000*	Share option reserves* *US$'000*	Statutory surplus reserves* *US$'000*	Retained earnings* *US$'000*	Exchange fluctuation reserve* *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total equity *US$'000*
At January 1, 2017	1,692	118,051	(20,883)	9,469	9,247	72,029	(11,992)	177,613	6,408	184,021
Profit for the year	–	–	–	–	–	26,123	–	26,123	882	27,005
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	12,480	12,480	336	12,816
Total comprehensive income for the year	–	–	–	–	–	26,123	12,480	38,603	1,218	39,821
Acquisition of equity by minority shareholders	–	(1,463)	–	–	–	–	–	(1,463)	3,202	1,739
Purchases of minority shareholders' equity	–	(55)	–	–	–	–	–	(55)	(318)	(373)
Equity-settled share option arrangements	–	–	–	2,811	–	–	–	2,811	–	2,811
Exercise of share options	42	4,237	–	(1,344)	–	–	–	2,935	–	2,935
Dividend distribution	–	–	–	–	–	(2,635)	–	(2,635)	–	(2,635)
Transfer from retained earnings	–	–	–	–	2,289	(2,289)	–	–	–	–
At December 31, 2017	1,734	120,770	(20,883)	10,936	11,536	93,228	488	217,809	10,510	228,319

* These reserve accounts comprise the consolidated reserves of US$216,075,000 (For the year ended December 31, 2016: US$175,921,000) in the consolidated statement of financial position.

Year ended December 31, 2016

	Attributable to owners of the parent									
	Share capital	Share premium*	Merger reserve*	Share option reserves*	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*
At January 1, 2016	1,600	106,655	(20,883)	8,361	6,417	48,689	(1,591)	149,248	–	149,248
Profit for the year	–	–	–	–	–	26,170	–	26,170	365	26,535
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(10,401)	(10,401)	(245)	(10,646)
Total comprehensive income for the year	–	–	–	–	–	26,170	(10,401)	15,769	120	15,889
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	6,288	6,288
Issue of shares under the over-allotment option	60	10,024	–	–	–	–	–	10,084	–	10,084
Share issue expenses	–	(517)	–	–	–	–	–	(517)	–	(517)
Equity-settled share option arrangements	–	–	–	1,836	–	–	–	1,836	–	1,836
Exercise of share options	32	1,889	–	(728)	–	–	–	1,193	–	1,193
Transfer from retained earnings	–	–	–	–	2,830	(2,830)	–	–	–	–
At December 31, 2016	1,692	118,051	(20,883)	9,469	9,247	72,029	(11,992)	177,613	6,408	184,021

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Net cash flows from operating activities	**21,368**	33,275
Net cash flows used in investing activities	**(36,451)**	(8,315)
Net cash flows from financing activities	**2,039**	8,487
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(13,044)**	33,447
Net foreign exchange difference	**437**	(703)
Cash and cash equivalents at beginning of year	**136,464**	103,720
CASH AND CASH EQUIVALENTS AT END OF YEAR	**123,857**	136,464

NOTES:

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in United States dollars ("**US$**"), unless otherwise stated, and were approved for issue by the Board on March 16, 2018.

2. BASIS OF PREPARATION

2.1. Basis of preparation

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

2.2. Changes in accounting policy and disclosures

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The adoption of the above revised standards has had no significant financial effect on these financial statements.

3. SEGMENT INFORMATION

The segment information for the year ended December 31, 2017, is as follows:

	Bio-science services and products *US$'000*	**Industrial synthetic biology products** *US$'000*	**Cell therapy** *US$'000*	**Total** *US$'000*
Segment sales	**122,512**	**11,789**	**18,348**	**152,649**
Segment cost of sales	**39,509**	**8,549**	**–**	**48,058**
Segment gross profit	**83,003**	**3,240**	**18,348**	**104,591**

The segment information for the year ended December 31, 2016, is as follows:

	Bio-science services and products *US$'000*	Industrial synthetic biology products *US$'000*	Cell therapy *US$'000*	Total *US$'000*
Segment sales	107,731	7,004	–	114,735
Segment cost of sales	33,521	4,985	–	38,506
Segment gross profit	74,210	2,019	–	76,229

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Revenue		
Rendering of services	**115,289**	102,397
Sale of goods	**19,012**	12,338
License and collaboration revenue	**18,348**	–
	152,649	114,735
Other income and gains		
Foreign currency exchange gain, net	**–**	5,878
Government grants	**4,272**	1,492
Debt relief	**1,058**	–
Bank interest income	**857**	276
Investment income	**131**	–
Others	**68**	99
	6,386	7,745

5. PROFIT BEFORE TAX

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Cost of inventories sold	**2,655**	1,922
Cost of services provided	**20,487**	15,552
Depreciation of items of property plant and equipment	**6,465**	4,964
Amortization of other intangible assets*	**352**	255
Amortization of prepaid land lease payments	**183**	171
Provision for impairment of trade receivables	**546**	658
Reversal of provision for impairment of other receivables	**–**	(129)
Minimum lease payments under operating leases:		
Land and buildings	**1,767**	1,250
Auditors' remuneration	**374**	399
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	**43,340**	38,359
Pension scheme contributions (defined contribution schemes)	**3,256**	4,156
Equity-settled share option expense	**2,774**	1,361
	49,370	43,876
Research and development costs	**18,055**	9,467
Foreign currency exchange loss	**7,338**	–
Loss on disposal of items of property, plant and equipment	**260**	90
Write-down of inventories to net realizable value	**304**	505

* The amortization of other intangible assets for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

6. FINANCE COSTS

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Interest on bank loans	**–**	10

7. INCOME TAX EXPENSE

	Year ended December 31, 2017 US$'000	2016 US$'000
Current income tax expense	**14,141**	7,999
Deferred income tax expense	**(2,625)**	(2,025)
Income tax expense	**11,516**	5,974

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,714,343,224 (2016: 1,667,244,523) in issue during the year.

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

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

	Year ended December 31, 2017 US$'000	2016 US$'000
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**26,123**	26,170
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,714,343,224**	1,667,244,523
Effect of dilution – weighted average number of ordinary shares:		
Share options	**14,375,400**	41,796,461
	1,728,718,624	1,709,040,984

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *US$'000*	Machinery and equipment *US$'000*	Motor vehicles *US$'000*	Computer and office equipment *US$'000*	Construction in progress *US$'000*	Total *US$'000*
At December 31, 2016, and at January 1, 2017:						
Cost	31,125	29,675	450	3,995	1,968	67,213
Accumulated depreciation and impairment	(3,328)	(17,258)	(189)	(2,703)	–	(23,478)
Net carrying amount	27,797	12,417	261	1,292	1,968	43,735
At January 1, 2017, net of accumulated depreciation and impairment	27,797	12,417	261	1,292	1,968	43,735
Additions	745	499	–	69	40,098	41,411
Disposals	(21)	(92)	(7)	(14)	(260)	(394)
Depreciation provided during the year	(1,215)	(4,320)	(50)	(880)	–	(6,465)
Exchange realignment	1,760	578	16	(74)	(59)	2,221
Transfers	676	10,423	97	1,831	(13,027)	–
At December 31, 2017, net of accumulated depreciation and impairment	29,742	19,505	317	2,224	28,720	80,508
At December 31, 2017:						
Costs	34,525	37,602	568	5,782	28,720	107,197
Accumulated depreciation and impairment	(4,783)	(18,097)	(251)	(3,558)	–	(26,689)
Net carrying amount	29,742	19,505	317	2,224	28,720	80,508

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings *US$'000*	Machinery and equipment *US$'000*	Motor vehicles *US$'000*	Computer and office equipment *US$'000*	Construction in progress *US$'000*	Total *US$'000*
At December 31, 2015, and at January 1, 2016:						
Costs	29,259	22,032	311	3,269	1,875	56,746
Accumulated depreciation and impairment	(2,241)	(14,508)	(153)	(2,125)	–	(19,027)
Net carrying amount	27,018	7,524	158	1,144	1,875	37,719
At January 1, 2016, net of accumulated depreciation and impairment	27,018	7,524	158	1,144	1,875	37,719
Additions	459	28	–	4	6,491	6,982
Acquisition of a subsidiary	3,127	2,786	32	183	505	6,633
Disposals	(9)	(24)	–	(1)	(56)	(90)
Depreciation provided during the year	(1,002)	(3,272)	(39)	(651)	–	(4,964)
Exchange realignment	(1,840)	(498)	(10)	(56)	(141)	(2,545)
Transfers	44	5,873	120	669	(6,706)	–
At December 31, 2016, net of accumulated depreciation and impairment	27,797	12,417	261	1,292	1,968	43,735
At December 31, 2016:						
Costs	31,125	29,675	450	3,995	1,968	67,213
Accumulated depreciation and impairment	(3,328)	(17,258)	(189)	(2,703)	–	(23,478)
Net carrying amount	27,797	12,417	261	1,292	1,968	43,735

10. PREPAID LAND LEASE PAYMENTS

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Carrying amount at January	**7,955**	7,746
Acquisition of a subsidiary	**–**	911
Additions	**2,173**	–
Recognized	**(183)**	(171)
Exchange realignment	**466**	(531)
Carrying amount at end of year	**10,411**	7,955
Current portion included in prepayments, deposits and other receivables	**(222)**	(173)
Non-current portion	**10,189**	7,782

As at December 31, 2017, the directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned leasehold lands. All the land-use rights of the Group are located in China and are held on leases of 50 years.

11. GOODWILL

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Cost at January 1	**1,384**	–
Acquisition of a subsidiary	**–**	1,448
Exchange realignment	**86**	(64)
Cost and net carrying amount at December 31	**1,470**	1,384

11. GOODWILL (CONTINUED)

Impairment testing of goodwill

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

- ***Industrial synthetic biology products***

  The recoverable amount of the industrial synthetic biology products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 12.8% (2016: 12.8%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 0% (2016: 0%), which is the same as the long term growth rate of the industry.

  Assumptions were used in the value in use calculation of the industrial synthetic biology products cash-generating units for December 31, 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

12. OTHER INTANGIBLE ASSETS

	Software *US$'000*	Patents and licenses *US$'000*	Customer relationship *US$'000*	Total *US$'000*
December 31, 2017				
Cost at January 1, 2017, net of accumulated amortization	**786**	**1,202**	**142**	**2,130**
Additions	**343**	**240**	**–**	**583**
Amortization provided during the year	**(202)**	**(135)**	**(15)**	**(352)**
Exchange realignment	**41**	**57**	**8**	**106**
At December 31, 2017	**968**	**1,364**	**135**	**2,467**
At December 31, 2017:				
Cost	**1,730**	**1,592**	**158**	**3,480**
Accumulated amortization	**(762)**	**(228)**	**(23)**	**(1,013)**
Net carrying amount	**968**	**1,364**	**135**	**2,467**
December 31, 2016				
Cost at January 1, 2016, net of accumulated amortization	874	27	–	901
Additions	95	333	–	428
Acquisition of a subsidiary	–	953	156	1,109
Amortization provided during the year	(177)	(70)	(8)	(255)
Exchange realignment	(6)	(41)	(6)	(53)
At December 31, 2016	786	1,202	142	2,130
At December 31, 2016:				
Cost	1,317	1,274	149	2,740
Accumulated amortization	(531)	(72)	(7)	(610)
Net carrying amount	786	1,202	142	2,130

13. AVAILABLE-FOR-SALE INVESTMENTS

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Unlisted equity investments, at cost	**1,136**	–

The above investments which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at December 31, 2017, certain unlisted equity investments with a carrying amount of US$1,136,000 were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

14. INVESTMENTS IN ASSOCIATES

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Share of net assets	**614**	–

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

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Share of the associates' loss for the year	**(39)**	–
Share of the associates' total comprehensive loss	**(39)**	–
Share of net assets	**614**	–

15. INVENTORIES

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Raw materials	**3,109**	1,892
Work in progress	**1,756**	1,437
Finished goods	**3,169**	1,760
	8,034	5,089
Less: Provision for inventories	**(1,156)**	(852)
	6,878	4,237

16. TRADE AND NOTES RECEIVABLES

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Trade receivables	**255,156**	20,037
Notes receivable	**1,806**	1,050
	256,962	21,087
Less: Impairment of trade receivables	**(1,611)**	(1,065)
	255,351	20,022

As at December 31, 2017 and 2016, the ageing analysis of the trade receivables based on invoice date was as follows:

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Within 3 months	**250,841**	16,948
3 to 6 months	**2,100**	1,081
6 to 12 months	**610**	837
Over 12 months	**1,605**	1,171
	255,156	20,037

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
VAT recoverable	**3,399**	344
Prepayments	**3,122**	1,475
Other receivables	**878**	664
Advance to employees	**633**	155
Prepaid expense	**322**	371
	8,354	3,009
Less: Impairment of other receivables	**(25)**	(25)
	8,329	2,984

18. AVAILABLE-FOR-SALE INVESTMENTS

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Investments in financial products, at fair value	**3,088**	–

On October 9, 2017, the Company purchased a financial product from Pingan Bank, which has a fixed maturity date on January 4, 2018, and a floating coupon rate.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Cash and bank balances	**123,857**	136,464
Pledged short-term deposits	**392**	202
	124,249	136,666
Less: Pledged short-term deposits:		
Pledged for letters of credit	**(202)**	(202)
Pledged for notes payable	**(190)**	–
Cash and cash equivalents	**123,857**	136,464

20. TRADE AND NOTES PAYABLES

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Trade payables	**7,047**	4,304
Notes payable	**1,107**	48
	8,154	4,352

As at December 31, 2017 and 2016, the ageing analysis of the trade payables based on invoice date is as follows:

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Within 3 months	**6,432**	4,068
3 to 6 months	**122**	78
6 to 12 months	**105**	112
Over 1 year	**388**	46
	7,047	4,304

Trade payables are non-interest bearing and are generally on terms of 60 days.

21. OTHER PAYABLES AND ACCRUALS

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Deferred revenue	**209,152**	–
Payables for purchases of machinery and construction of buildings	**14,615**	2,638
Accrued payroll	**9,746**	13,182
Advances from customers	**9,188**	7,516
Other payables	**4,641**	3,713
Accrued expenses	**3,120**	2,105
Taxes payable other than corporate income tax	**1,463**	1,172
	251,925	30,326

22. GOVERNMENT GRANTS

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
At January 1	**2,393**	1,965
Grants received during the year	**505**	595
Amount released	**(66)**	(42)
Exchange realignment	**145**	(125)
At end of year	**2,977**	2,393
Current	**90**	44
Non-current	**2,887**	2,349
	2,977	2,393

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

23. SHARE CAPITAL AND SHARE PREMIUM

	Year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Authorized:		
Ordinary shares of US$0.001 each	**5,000**	5,000
Issued and fully paid:		
Ordinary shares of US$0.001 each	**1,734**	1,692

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

	Number of shares in issue	**Share capital**	**Share premium**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At January 1, 2016	1,600,000,000	1,600	106,655	108,255
Issuance of shares under the over-allotment option	60,000,000	60	10,024	10,084
Share options exercised	31,861,775	32	1,889	1,921
	1,691,861,775	1,692	118,568	120,260
Share issue expenses	–	–	(517)	(517)
At December 31, 2016 and January 1, 2017	1,691,861,775	1,692	118,051	119,743
Acquisition of equity by minority shareholders	**–**	**–**	**(1,463)**	**(1,463)**
Purchases of minority shareholders' equity	**–**	**–**	**(55)**	**(55)**
Share options exercised	**41,744,412**	**42**	**4,237**	**4,279**
At December 31, 2017	**1,733,606,187**	**1,734**	**120,770**	**122,504**

POSITIONING OF THE COMPANY

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

To ensure our long-term sustainable business development and seek to continue to create value for our shareholders and other stakeholders in the years to come, we revisited and contemplated our mission and strategic positioning. Our mission is to "Make People and Nature Healthier through Biotechnology" by establishing a leading innovative protein and antibody engineering platform and striving for opportune breakthroughs in the fields of research and development and industrial enzymes for the benefit of mankind. We believe they are fundamental in enabling us to be more focused on our strengths and commitments, which are to capitalize on emerging opportunities in the bio-tech and bio-pharmaceutical industries, and to drive for significant growth.

Backed by the spirit of our mission, we continue to further strengthen our market position as a well-recognized life sciences research and application service and product provider with comprehensive portfolio coverage in the world. As of 2017, we maintained our leading position in the gene synthesis service market with recognized stature in synthetic biology. Our strong technological advantages in gene synthesis, together with our rich experience and technical know-how in protein production, antibody development, and peptide synthesis constituted our strength to provide a one-stop solution for the life sciences research community. Furthermore, our cutting-edge technology has also been crystalizing to productivities in our pre-clinical antibody drug discovery and development services to help the bio-pharmaceutical industry to further expedite their drug development process.

Ever since synthetic biology technology was recognised as an emerging technology back in the early 2000s, it has demonstrated its potential in broad areas to enrich and improve the lives and environments of humans. Since synthetic biology is backed by gene synthesis and editing technology, it falls under our professional expertise. We have made significant progress in our synthetic biology research and application areas, which mainly materialized into our innovative CAR-T cell therapy and industrial enzyme businesses.

Through 15 years of effort since we were originally founded in New Jersey, the United States in 2002, "Genscript" has now been recognized as a well-known and trusted brand underpinned by its high quality life sciences research and application services and products. We have established an extensive direct sales network, reaching over 100 countries in North America, Europe, the PRC, Japan, and the other Asia Pacific regions. We have engendered the trust and confidence of a broad and diverse customer base, including pharmaceutical and biotech companies, colleges and universities, research institutes, government bodies, and distributors. As of December 31, 2017, over 27,300 international peer-reviewed journal articles had cited the use of our life sciences research and application services and products, among which many leading scientists and researchers in life sciences research industries were indicated to be frequent users of our services and products.

During the Reporting Period, the Group achieved sound operation performance and maintained a stable growth primarily due to (i) the adoption of advanced technologies, which significantly increased our production competitiveness, and (ii) the collaboration with Janssen Biotech, Inc. ("**Janssen**"), which broadened our business.

BUSINESS REVIEW

During the Reporting Period, the overall revenue of the Group was approximately US$152.6 million, representing an increase of 33.0% as compared with approximately US$114.7 million for the year ended December 31, 2016. The gross profit was approximately US$104.6 million, representing an increase of 37.3% as compared with approximately US$76.2 million for the year ended December 31, 2016. The increase in both revenue and gross profit was primarily attributable to (i) the significant increase in the number of orders of bio-science services and products and novel antibody drugs and biosimilar development services, primarily benefiting from our continuous research and development activities, which resulted in the launch of advanced and/or improved services and products and improvement in our production competitiveness, and (ii) the increase in both the number of customers and their purchase volume of industrial synthetic biology products, primarily due to the upgraded products and the setting up of sales team, and (iii) the collaboration with Janssen.

During the Reporting Period, the profit was approximately US$27.0 million, representing an increase of 1.9% as compared with approximately US$26.5 million for the year ended December 31, 2016. The adjusted net profit (excluding investment income/loss, foreign currency exchange gain/loss and share-based payment expenses) was approximately US$35.7 million, representing a year-to-year increase of 53.2% from approximately US$23.3 million for the year ended December 31, 2016.

The profit attributable to owners of the Company was approximately US$26.1 million, representing a decrease of 0.4% as compared with approximately US$26.2 million for the year ended December 31, 2016. The adjusted net profit attributable to owners of the Company (excluding investment income/loss, foreign currency exchange gain/loss and share-based payment expenses) was approximately US$34.8 million, representing an increase of 52.0% from approximately US$22.9 million for the year ended December 31, 2016.

During the Reporting Period, the Company generated approximately US$122.5 million, US$11.8 million and US$18.3 million from the three segments, namely, (i) bio-science services and products, (ii) industrial synthetic biology products, and (iii) cell therapy, representing approximately 80.3%, 7.7% and 12.0% of the total revenue, respectively.

Results Analysis of the Three Business Segments

1. Bio-science services and products

Results

This segment combines the previous three segments of the Company as disclosed in the annual results announcement for the year ended December 31, 2016 of the Company dated March 20, 2017, namely, life sciences research services, life sciences research catalogue products, and preclinical drug development services.

During the Reporting Period, the revenue generated from bio-science services and products was approximately US$122.5 million, representing an increase of 13.7% as compared with approximately US$107.7 million for the year ended December 31, 2016. During the same period, the gross profit was approximately US$83.0 million, representing an increase of 11.9% as compared with approximately US$74.2 million for the year ended December 31, 2016. The increase in both revenue and gross profit was primarily attributable to (i) the significant increase in the number of customers from molecular biology business resulting from continuous marketing activities, (ii) the significant increase in revenue generated from the biologics business subsequent to years of development of both novel antibody drugs and biosimilar development services, and (iii) the remarkable increase in the number of customers from the United States resulting from the implementation of regional marketing strategies.

Development Strategies

The Company intends to (i) continue to upgrade the online ordering system and further shorten delivery time to enhance customer experience, (ii) streamline the production and research and development platform and improve service and product quality to meet premium demands, (iii) develop services and products to satisfy the needs for synthetic biology and therapeutic antibody to further penetrate into markets of larger size and with higher profit margin, (iv) invest in market advertising and branding to promote services and products, (v) engage in research and development projects with leading professors in academia to further raise awareness and recognition of our brand in the life sciences field, (vi) continuously focus on protein analysis and purification and build up fast protein analysis portfolio to provide more convenience for customers, and (vii) develop new magbeads purification platform to reduce production cost and benefit from the biologics production.

2. *Industrial synthetic biology products*

Results

During the Reporting Period, the revenue generated from industrial synthetic biology products was approximately US$11.8 million, representing an increase of 68.6% as compared with approximately US$7.0 million for the year ended December 31, 2016. During the same period, the gross profit was approximately US$3.3 million, representing an increase of 65.0% as compared with US$2.0 million for the year ended December 31, 2016. The increase in revenue was primarily attributable to the quality improvement of several industrial synthetic biology products.

Development Strategies

The Company intends to apply synthetic biology principles and techniques to modify and improve the industrial enzyme producing microorganisms, such that microbes are able to produce industrial enzymes with a higher yield and/or better performance properties. It intends to continue the research and development on industrial enzymes applied in the food and feed industries, as well as to expand into other fields of applications, such as the bio-energy, pharmaceutical and chemical industries.

3. *Cell therapy*

Results

During the Reporting Period, the revenue generated from cell therapy was approximately US$18.3 million, representing an increase of 100.0% as compared with the year ended December 31, 2016. During the same period, the gross profit was approximately US$18.3 million, representing an increase of 100.0% as compared with the year ended December 31, 2016. The increase in revenue was primarily attributable to collaboration with Janssen.

Development Strategies

The Company intends to apply molecular biology, cellular engineering and antibody technology to the development of immunotherapy technology for cancer cure and build a strong pipeline of Chimeric Antigen Receptor (CAR) product candidates to treat a wide varieties of liquid and solid tumors.

FINANCIAL REVIEW

	2017	2016	**Change**
	US$'000	*US$'000*	*US$'000*
Revenue	**152,649**	114,735	37,914
Gross profit	**104,591**	76,229	28,362
Profit after income tax	**27,005**	26,535	470
Net profit excluding investment income/ loss, foreign currency exchange gain/ loss and share-based payment expenses	**35,728**	23,297	12,431
Profit attributable to shareholders of the Company	**26,123**	26,170	(47)
Profit attributable to shareholders of the Company, excluding investment income/ loss, foreign currency exchange gain/ loss and share-based payment expenses	**34,846**	22,932	11,914
Earnings per share *(US cent per share)*	**1.52**	1.57	(0.05)

Revenue

In 2017, the Group recorded revenue of US$152.6 million, representing an increase of 33.0% from US$114.7 million in 2016. This was primarily attributable to (i) the significant increase in the number of orders of bio-science services and novel antibody drugs and biosimilar development services, primarily benefiting from our continuous research and development activities, which resulted in the launch of advanced and/or improved services and products and improvement in our production competitiveness, and (ii) the increase in both the number of customers and their purchase volume of industrial synthetic biology products, primarily due to the upgraded products and the setting up of sales team, and (iii) the collaboration with Janssen.

Gross Profit

In 2017, the Group's gross profit increased by 37.3% to US$104.6 million from US$76.2 million in 2016. This was primarily attributable to the increase of sales. The gross profit margin of the Group maintained at a stable level.

Selling and distribution expenses

The selling and distribution expenses increased by 19.1% to US$24.9 million in 2017 from US$20.9 million in 2016. This was mainly attributable to the increased compensation package for sales personnel and the expansion of the sales team.

Administrative expenses

In 2017, the administrative expenses increased by 31.9% to US$40.1 million (including the research and development expenses) from US$30.4 million (including the research and development expenses) in 2016. This was mainly due to the continuous investment in research and development activities.

Research and development expenses

The research and development expenses increased by 90.5% to US$18.1 million in 2017 from US$9.5 million in 2016.

This was mainly due to our continuous investment in research and development activities to secure and maintain high-level research and development projects, and our participation in certain new challenging research and development projects under the industrial synthetic biology products and cell therapy segments which significantly strengthened our competitiveness in the market and improved our production efficiency.

Income tax expenses

The income tax expenses increased from US$6.0 million in 2016 to US$11.5 million in 2017. The actual tax rate increased from 18.4% in 2016 to 29.9% in 2017. The increase of tax rate in 2017 was mainly caused by the tax reform from the United States.

Net profit and unaudited adjusted net profit

Due to the aforementioned reasons, the net annual profit of the Group amounted to US$27.0 million in 2017, representing an increase of 1.9% from US$26.5 million in 2016. To supplement the consolidated financial statements which are presented in accordance with the HKFRSs, the Group also used the unaudited adjusted net profit as an additional financial measure to evaluate the Group's financial performance by eliminating the impact of items that the Group does not consider indicative of the Group's business performance. The Group's adjusted net profit (excluding investment income/loss, foreign currency exchange gain/loss and share-based payment expenses) was approximately US$35.7 million in 2017, representing an increase of 53.2% from approximately US$23.3 million for the year ended December 31, 2016.

Trade receivables

	2017	2016
Trade receivables turnover *(day)*	**66**	61

The trade receivables of the Group remained stable under the ongoing control and management of the Company.

Inventories

	2017	2016
Inventory turnover *(day)*	**49**	35

The increase of inventory turnover of the Group was mainly caused by the increase of the level of safe stock due to the expanded sales of the products.

Property, plant and equipment

Property, plant and equipment include buildings, machinery equipment and construction in progress. As at December 31, 2017, the property, plant and equipment of the Group amounted to US$80.5 million, representing an increase of US$36.8 million from the property, plant and equipment of US$43.7 million as at December 31, 2016. This was mainly due to the purchase of new machinery and equipment and construction of new factories to support the increased scale of production.

Intangible assets

Intangible assets include software, patents and license. As at December 31, 2017, the Group's net intangible assets amounted to US$2.5 million, representing an increase of US$0.4 million from US$2.1 million as at December 31, 2016. The increase in intangible assets was mainly due to the upgrade of office software.

Working capital and financial resources

As at December 31, 2017, the cash and cash equivalents of the Group amounted to US$123.9 million (2016: US$136.5 million). There was no restricted fund or loan.

Cash flow analysis

During the Reporting Period, the Group recorded an annual net cash inflow of US$21.4 million generated from operating activities.

During the Reporting Period, the annual cash outflow used in investing activities of the Group was US$36.5 million. This was mainly due to (i) the purchases of items of property, plant and equipment, other intangible assets and the prepayment of land lease payments for the purpose of enlarging production capability in the amount of US$32.0 million, (ii) the purchases of financial products in the amount of US$3.1 million, (iii) the purchases of investment in associates in the amount of US$0.7 million and available-for-sale investments in the amount of US$1.1 million, (iv) the purchases of minority shareholders in the amount of US$0.4 million, and (v) the receipt of government grants of US$0.5 million.

During the Reporting Period, the cash inflow in financing activities of the Group was US$2.0 million. This was mainly due to (i) proceeds from issue of shares amounted to US$2.9 million, (ii) dividend distribution of US$2.6 million, and (iii) the receipt of acquisition of equity by minority shareholders of US$1.7 million.

Capital expenditure

During the Reporting Period, the expenditure of purchasing intangible assets, namely software, patents and license, was US$0.6 million, while the expenditure of purchasing property, plant and equipment amounted to US$29.2 million and the expenditure of prepaid land lease payments amounted to US$2.2 million.

Material acquisitions and disposals

On January 11, 2018, the Group completed the acquisition of 100.0% of the entire issued share capital of CustomArray, Inc. from the selling shareholders, the details of which are set out in the announcements of the Company dated December 27, 2017 and January 12, 2018.

On October 19, 2017, the deemed disposals of the Company's equity interest in Nanjing Bestzyme Bioengineering Co., Ltd.* (南京百斯傑生物工程有限公司) ("**BSJ**") and in Legend Biotech Corporation ("**Legend Cayman**") were completed ("**BSJ Completion**" and "**Legend Completion**", respectively). Upon the BSJ Completion, the equity interest of Bestzyme Biotech HK Limited (香港百斯傑生物科技有限公司) in BSJ Nanjing was diluted to 92.59%, whereas upon the Legend Completion, the shareholding of the Company in Legend Cayman was diluted to 84.84%. Each of BSJ Nanjing and Legend Cayman has become a non-wholly owned subsidiary of the Company. Please refer to the announcements of the Company dated June 28, 2017, July 17, 2017, August 28, 2017, September 13, 2017, October 9, 2017, October 16, 2017, and October 20, 2017 for details.

During the Reporting Period, the Company did not have any other material acquisition or disposal of subsidiaries, associates or assets.

Contingent liabilities and guarantees

As at December 31, 2017, the Group did not have any material contingent liabilities or guarantees.

Charges on group assets

As at December 31, 2017, other than the notes receivables and bank balances of approximately US$295,000 pledged by a subsidiary of the Company to secure a credit limit of up to US$3,826,000 from a bank, the Group had no charges over its assets.

Current ratio and gearing ratio

As at December 31, 2017, the Group's current ratio (current assets to current liabilities) was approximately 1.5 (as at December 31, 2016: 4.2); and gearing ratio (total liabilities to total assets) was approximately 54.7% (as at December 31, 2016: 18.6%).

Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group did not hedge against any fluctuation in foreign currency during the Reporting Period. The management of the Group may consider entering into currency hedging transactions to manage the Group's exposure towards fluctuations in exchange rates in the future.

Cash flow and fair value interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. The management of the Group does not anticipate any significant impact to interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Credit risk

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

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

Prospects

The Year was remarkable for the innovative biotech and pharmaceutical industries. The Food and Drug Administration ("**FDA**") of the United States approved 46 novel drugs as new molecular entities ("**NMEs**") under new drug applications ("**NDAs**") or as new therapeutic biologics under biologics license applications. It was the highest number of NMEs approvals since 2004, breaking the record of 45 NMEs approved in 2015 and more than doubling the 22 approved NMEs in 2016. More significantly, the fact that two CAR-T cell immunotherapies were approved to treat adult and pediatric blood cancers, and the first gene therapy to treat a rare form of blindness, marked an opportune time of innovation for all biotech and biopharmaceutical companies. It also reflected positively on the political and economic realities of healthcare. We may say that global effort in encouraging innovative and creative biotechnologies to treat incurable diseases has been reached, on the back of remarks relating to gene therapy given in President Donald J. Trump's State of the Union Address, the initiatives taken by the Hong Kong Stock Exchange to welcome the listing of pre-revenue biotech companies in the Hong Kong capital market, and a series of innovative policies and regulations recently launched by the Chinese government. These policies and regulations aim to create a more innovation friendly environment and provide more favorable conditions for biotech companies to generate additional realistic and practical health benefits to patients and the society as a whole. According to the latest 2017 ranking of global best-selling drugs, 7 of the top 10 were still biological drugs.

According to the Pitchbook Platform, in 2017, biotech companies racked up over US$9.3 billion across more than 471 deals. IPO investors across the globe continued to welcome biotech companies. Pharmaceutical companies continued to improve their product portfolio through aggressive mergers and acquisitions throughout the Year. In 2017, two large acquisitions by two well-known pharmaceutical companies for a total amount of approximately US$21 billion have been recognized as symbolic landmarks in the biotech industry. These acquisitions ignited global enthusiasm and passion towards the revolutionary CAR-T cell immunotherapy, which has been viewed as the primary driving force to build up a regime of cures against currently incurable cancers.

The National Institutes of Health ("**NIH**"), the United States' medical research agency leading the world in supporting innovative multidisciplinary biomedical and behavioral research, requested US$33.1 billion budget in 2017, representing an increase of 2.56% compared with the budget in 2016. Over 82% of NIH's 2017 fiscal budget increase of US$825 million was allocated to the National Cancer Institute. NIH has outlined its strategic priorities to foster innovation, advance opportunities in biomedical research, and excel to manage results.

Future Development Strategies

Looking forward to 2018, the Group continues to concentrate on implementing the following business strategies:

- Further investment in R&D and production capacity, focusing on the following key business areas:

  i. CAR-T cell immunology therapy – by further improving safety and efficacy while building up a strong pipeline to treat more tumors, both liquid and solid. And at the same time, building the standard production facility to meet clinical trial requirements and future demands for commercialization production;

  ii. Pre-clinical antibody drug discovery development service platform – to capture the opportunity of the currently unmet demand for antibody drug research and development services. And to work with biotech and pharmaceutical companies to push forward the drug discovery process; and

  iii. Molecular biology – to further strengthen our global leading position in gene synthesis and other life sciences technology products and services.

- Further strengthening of the sales and marketing forces in order to continue improving our market penetration into:

  i. CAR-T cell immunotherapy market – via building up the 3 global operating centers located in the United States, Europe, and China;

  ii. Focus on the industrial enzyme market in China and the new major global international markets;

  iii. Pre-clinical antibody drug development service market; and

  iv. Molecular biology products and services market.

- Complement and enhancement of organic growth by pursuing strategic acquisitions of cutting-edge techniques and existing performances that demonstrate a valuable connection to our current businesses.

EMPLOYEES

As at December 31, 2017, the Group had a total of approximately 1,932 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, salaries, employees' benefits, responsibilities for breach of contractual obligations and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies and other employees' benefits, which are determined with reference to experience, number of years with the Group and other general factors.

USE OF THE NET PROCEEDS FROM LISTING

Net proceeds from the listing of the Company (after deducting the underwriting fee and relevant expenses) amounted to approximately HK$527.3 million (equivalent to US$68.0 million). Such amounts are proposed to be used according to the allocation set out in the prospectus of the Company dated December 17, 2015 (the "**Prospectus**"). Use of net proceeds from the date of listing to December 31, 2017, is set below as follows:

Items	**Utilized amount as at December 31, 2017** *(US$ million)*
Expand life sciences research and application service and product portfolio	20.4
Expand production capacity	20.4
Enhance information technology capability	1.8
Acquire interests in or business of companies to complement existing operations	8.0
Reinforce the sales and marketing team	1.0
Total	51.6

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board did not recommend the payment of final dividend for the year ended December 31, 2017.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (as in effect from time to time) as its own code of corporate governance.

Save as the deviation from code provision A.2.1 of the CG Code, the Company has complied with the applicable code provisions as set out in the CG Code during the year ended December 31, 2017, and up to the date of this announcement. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

The Company deviates from this provision because Dr. Zhang Fangliang has been assuming the roles of both the chairman of the Board and the chief executive officer of the Company since the Listing Date. The Board believes that resting the roles of both the chairman and the chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although these two roles are performed by the same individual, certain responsibilities are shared with the executive Directors to balance power and authority. In addition, all major decisions are made in consultation with members of the Board, as well as with the senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board is of the view that the balance of power and safeguards in place are adequate. The Board would review and monitor the situation on a regular basis, and it would ensure that the present structure would not impair the balance of power in the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

SHARE OPTION SCHEMES

The Board has reviewed the matters in relation to the exercise of share options granted to the grantees under the share option scheme (the "**Pre-IPO Share Option Scheme**") adopted on July 15, 2015, the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") adopted on December 7, 2015, and subsidiary share option scheme (the "**Subsidiary Share Option Scheme**") adopted on December 21, 2017. Details of the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme have been disclosed in the Prospectus and details of the Subsidiary Share Option Scheme have been disclosed in the circular of the Company dated December 3, 2017.

During the Reporting Period, options to subscribe for 48,480,000 Shares and 8,100,000 shares of Legend Biotech Corporation had been granted under the Post-IPO Share Option Scheme and Subsidiary Share Option Scheme, respectively, while no further options has been granted under the Pre-IPO Share Option Scheme after the listing.

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.

AUDIT COMMITTEE

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

The Audit Committee has, together with the management and external auditors, reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended December 31, 2017.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**AGM**") of the Company is scheduled to be held on Friday, June 1, 2018. A notice convening the AGM will be issued and disseminated to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders to attend and vote at the AGM to be held on Friday, June 1, 2018, the register of members of the Company will be closed from Tuesday, May 29, 2018 to Friday, June 1, 2018 (both dates inclusive), during which period no transfer of shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, May 28, 2018.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2017 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.genscript.com), and the 2017 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Genscript Biotech Corporation
Dr. Zhang Fangliang
Chairman and Chief Executive Officer

Hong Kong, March 16, 2018

As at the date of this announcement, the executive Directors are Dr. ZHANG Fangliang, Ms. WANG Ye and Mr. MENG Jiange; the non-executive Directors are Dr. WANG Luquan and Mr. PAN Yuexin; and the independent non-executive Directors are Mr. GUO Hongxin, Mr. DAI Zumian and Ms. ZHANG Min.

* *For identification purposes only*