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, 2016

INTERIM RESULTS HIGHLIGHTS

- For the six months ended June 30, 2016, the revenue of the Group was approximately US$53.2 million, representing an increase of 29.4% as compared with US$41.1 million for the same period of 2015.
- For the six months ended June 30, 2016, the gross profit increased by 33.5% from US$26.9 million for the same period of 2015 to US$35.9 million.
- For the six months ended June 30, 2016, the net profit of the Group increased by 131.6% from approximately US$5.7 million for the same period of 2015 to approximately US$13.2 million.
- For the six months ended June 30, 2016, the profit attributable to the shareholders of the Company increased by 131.6% from approximately US$5.7 million for the same period of 2015 to approximately US$13.2 million.

The board of directors (the "**Board**") of Genscript Biotech Corporation (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2016 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2015 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended June 30, 2016 Unaudited US$'000	2015 Audited US$'000
REVENUE	4	**53,200**	41,050
Cost of sales		**(17,303)**	(14,192)
Gross profit		**35,897**	26,858
Other income and gains	4	**1,964**	737
Selling and distribution expenses		**(9,560)**	(8,357)
Administrative expenses		**(12,057)**	(11,325)
Other expenses		**(31)**	(17)
PROFIT BEFORE TAX	5	**16,213**	7,896
Income tax expense	6	**(3,022)**	(2,150)
PROFIT FOR THE PERIOD		**13,191**	5,746
Attributable to:			
Owners of the parent		**13,191**	5,746
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		**US$0.80 cents**	US$0.49 cents
– Diluted		**US$0.78 cents**	US$0.47 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30, 2016	2015
	Unaudited	Audited
	US$'000	*US$'000*
PROFIT FOR THE PERIOD	**13,191**	5,746
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	4
Exchange differences on translation of foreign operations	**(2,620)**	106
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(2,620)**	110
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD, NET OF TAX	**(2,620)**	110
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**10,571**	5,856
Attributable to:		
Owners of the parent	**10,571**	5,856

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at June 30, 2016 Unaudited** *US$'000*	As at December 31, 2015 Audited *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**44,084**	37,719
Advance payments for property, plant and equipment		**420**	122
Prepaid land lease payments		**8,253**	7,581
Goodwill	10	**1,448**	–
Other intangible assets		**1,997**	901
Deferred tax assets		**4,159**	2,737
Total non-current assets		**60,361**	49,060
CURRENT ASSETS			
Inventories	11	**4,268**	2,025
Trade and notes receivables	12	**21,547**	16,914
Prepayments, deposits and other receivables	13	**5,911**	10,153
Pledged short-term deposits	14	**202**	202
Cash and cash equivalents	14	**122,067**	103,720
		153,995	133,014
CURRENT LIABILITIES			
Trade payables	15	**3,982**	2,414
Other payables and accruals	16	**24,888**	24,661
Interest-bearing bank borrowings	17	**1,237**	–
Tax payable		**4,946**	3,786
Government grants		**46**	33
Total current liabilities		**35,099**	30,894
NET CURRENT ASSETS		**118,896**	102,120
TOTAL ASSETS LESS CURRENT LIABILITIES		**179,257**	151,180

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

	Notes	**As at June 30, 2016 Unaudited** ***US$'000***	As at December 31, 2015 Audited *US$'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**167**	–
Government grants		**2,481**	1,932
Total non-current liabilities		**2,648**	1,932
NET ASSETS		**176,609**	149,248
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	**1,669**	1,600
Reserves		**168,652**	147,648
		170,321	149,248
Non-controlling interests		**6,288**	–
TOTAL EQUITY		**176,609**	149,248

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The Group is a life sciences research and application service and product provider. The services and products include (i) life sciences research services, (ii) life sciences research catalog products, (iii) preclinical drug development services, and (iv) industrial synthetic biology products (the "**Listing Business**").

These interim condensed consolidated financial statements are presented in US dollars (US$), unless otherwise stated, and were approved for issue by the Board on August 28, 2016.

2. BASIS OF PREPARATION

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with HKAS 34 *Interim Financial Reporting* and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2015.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016.

Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SEGMENT INFORMATION

The segment information for the six months ended June 30, 2016 is as follows:

	Life sciences research services *US$'000*	Preclinical drug development services *US$'000*	Life sciences research catalog products *US$'000*	Industrial synthetic biology products *US$'000*	Total *US$'000*
Segment sales	**44,356**	**4,765**	**2,676**	**1,403**	**53,200**
Segment cost of sales	**13,545**	**1,613**	**944**	**1,201**	**17,303**
Segment gross profit	**30,811**	**3,152**	**1,732**	**202**	**35,897**

The segment information for the six months ended June 30, 2015 is as follows:

	Life sciences research services *US$'000*	Preclinical drug development services *US$'000*	Life sciences research catalog products *US$'000*	Industrial synthetic biology products *US$'000*	Total *US$'000*
Segment sales	36,775	2,641	1,181	453	41,050
Segment cost of sales	12,380	943	442	427	14,192
Segment gross profit	24,395	1,698	739	26	26,858

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended June 30,	
	2016 *US$'000* **(Unaudited)**	2015 *US$'000* (Audited)
Revenue		
Rendering of services	**49,120**	39,416
Sale of goods	**4,080**	1,634
	53,200	41,050
Other income and gains		
Foreign currency exchange gain	**1,755**	143
Bank interest income	**179**	26
Government grants	**29**	374
Investment income	**–**	187
Others	**1**	7
	1,964	737

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended June 30,	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Cost of inventories sold	**913**	362
Cost of services provided	**6,449**	5,551
Depreciation of items of property, plant and equipment	**2,383**	2,384
Amortization of other intangible assets*	**112**	85
Amortization of prepaid land lease payments	**82**	88
Provision provided for impairment of trade receivables	**92**	74
Minimum lease payments under operating leases:		
– Land and buildings	**488**	361
Auditors' remuneration	**88**	168
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**15,790**	14,838
Pension scheme contributions (defined contribution schemes)	**1,851**	1,454
Equity-settled share option expense	**546**	873
	18,187	17,165
Research and development costs	**3,548**	2,439
Listing expenses	**–**	1,661
Loss on disposal of items of property, plant and equipment	**9**	10
Write-down of inventories to net realizable value	**50**	–

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

6. INCOME TAX

	For the six months ended June 30,	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Current income tax expense	**4,377**	2,737
Deferred income tax expense	**(1,355)**	(587)
Income tax expense	**3,022**	2,150

7. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended June 30, 2016.

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

The calculation of the basic earnings per share amount is based on the profit for the reporting period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,653,031,268 (for the six months ended June 30, 2015: 1,183,326,316) in issue during the reporting period, as adjusted to reflect the rights issue during the reporting period.

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

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

	For the six months ended June 30,	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**13,191**	5,746

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,653,031,268**	1,183,326,316
Effect of dilution – weighted average number of ordinary shares:		
Share options	**40,723,238**	33,078,695
	1,693,754,506	1,216,405,011

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended June 30, 2016, the Group acquired items of property, plant and equipment with a cost of US$3,031,000 (for the six months ended June 30, 2015: US$3,250,000), excluding property, plant and equipment acquired through a business combination (see Note 19).

Assets with a net book value of US$9,000 were disposed of by the Group during the six months ended June 30, 2016 (December 31, 2015: US$10,000), resulting in a net loss on disposal of US$9,000 (for the six months ended June 30, 2015: US$10,000).

10. GOODWILL

	June 30, 2016 US$'000 (Unaudited)
Cost at January 1	–
Acquisition of a subsidiary by capital injection	**1,448**
Cost and net carrying amount	**1,448**

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

- Industrial synthetic biology products

11. INVENTORIES

	June 30, 2016 US$'000 (Unaudited)	December 31, 2015 US$'000 (Audited)
Raw materials	**1,934**	1,228
Work in progress	**1,483**	395
Finished goods	**1,248**	749
	4,665	2,372
Less: Provision for inventories	**(397)**	(347)
	4,268	2,025

Inventory provision of US$50,000 was recognized for the six months ended June 30, 2016 (for the six months ended June 30, 2015: nil). Inventory provision has been included in "cost of sales" in the interim condensed consolidated statement of profit or loss.

12. TRADE AND NOTES RECEIVABLES

	June 30, 2016 US$'000 (Unaudited)	December 31, 2015 US$'000 (Audited)
Trade receivables	**20,939**	17,894
Notes receivable	**922**	129
	21,861	18,023
Less: Provision for impairment of trade receivables	**(314)**	(1,109)
	21,547	16,914

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

	June 30, 2016 US$'000 (Unaudited)	December 31, 2015 US$'000 (Audited)
Within 3 months	**17,809**	14,771
3 months to 6 months	**1,473**	1,510
6 months to 12 months	**1,355**	634
Over one year	**302**	979
	20,939	17,894

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2016 US$'000 (Unaudited)	December 31, 2015 US$'000 (Audited)
Other receivables	**3,705**	8,927
Prepayments	**1,257**	798
VAT recoverable	**709**	277
Prepaid expenses	**211**	207
Advance to employees	**117**	87
	5,999	10,296
Less: Impairment of other receivables	**(88)**	(143)
	5,911	10,153

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	June 30, 2016 US$'000 (Unaudited)	December 31, 2015 US$'000 (Audited)
Cash and bank balances	**122,067**	103,720
Pledged short-term deposits	**202**	202
	122,269	103,922
Less: Pledged short-term deposits for letters of credit	**(202)**	(202)
Cash and cash equivalents	**122,067**	103,720

15. TRADE PAYABLES

As at June 30, 2016 and December 31, 2015, the ageing analysis of the trade payables based on the invoice date, is as follows:

	June 30, 2016 *US$'000* **(Unaudited)**	December 31, 2015 *US$'000* (Audited)
Within 3 months	**3,291**	2,340
3 months to 6 months	**246**	21
6 months to 12 months	**316**	20
Over 1 year	**129**	33
	3,982	2,414

Trade payables are non-interest-bearing and are normally settled on 60–90 day terms.

16. OTHER PAYABLES AND ACCRUALS

	June 30, 2016 *US$'000* **(Unaudited)**	December 31, 2015 *US$'000* (Audited)
Accrued payroll	**8,742**	7,603
Advances from customers	**6,572**	6,696
Other payables	**4,729**	4,923
Accrued expenses	**2,211**	2,477
Payables for purchases of machinery and construction of buildings	**1,339**	2,150
Taxes payable other than corporate income tax	**1,295**	812
	24,888	24,661

17. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate *(%)*	Maturity	June 30, 2016 *US$'000*
Current			
Bank loans – secured	5.98–6.55	Within 1 year	1,237
Analysed into:			
Bank loans repayable:			
Within one year or on demand			1,237

The interest bearing loan is borrowed by Jinan Nornoon Biological Co., Ltd. ("**Jinan Nornoon**"), a subsidiary acquired on June 30, 2016. The bank loans are secured by:

(i) Jinan Nornoon's lands which had an aggregate fair value of US$641,000 as at June 30, 2016 and;

(ii) Jinan Nornoon's property, plant and equipment which had an aggregate fair value of US$522,000 as at June 30, 2016.

18. SHARE CAPITAL AND SHARE PREMIUM

Shares

	June 30, 2016 ***US$'000*** **(Unaudited)**	December 31, 2015 *US$'000* (Audited)
Authorized:		
Ordinary shares (of US$0.001 each)	**5,000**	5,000
Issued and fully paid:		
Ordinary shares (of US$0.001 each)	**1,669**	1,600

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

	Number of shares in issue	Share capital *US$'000*	Share premium *US$'000*	Total *US$'000*
At January 1, 2016	**1,600,000,000**	**1,600**	**106,655**	**108,255**
Issuance of shares under the over-allotment option *(a)*	**60,000,000**	**60**	**10,024**	**10,084**
Share options exercised	**9,272,351**	**9**	**317**	**326**
Share issuance expenses	**–**	**–**	**(517)**	**(517)**
At June 30, 2016 (unaudited)	**1,669,272,351**	**1,669**	**116,479**	**118,148**

a. On January 26, 2016, 60,000,000 ordinary shares (the "**Over-allotment Shares**") were issued by fully exercise of the over-allotment option at a price of HK$1.31 per share for a total consideration, before listing expenses, of approximately HK$78,600,000 (equivalent to approximately US$10,084,000).

19. BUSINESS COMBINATION

On June 30, 2016, the Group acquired 51% of the equity interests of Jinan Nornoon, an unlisted company engaged in the production of the feed enzymes, by way of capital injection in Jinan Nornoon. The acquisition was made as part of the Group's strategy to expand its industrial synthetic biology product lines into other areas of the feed industry. The consideration for the acquisition was in the form of cash, with US$7,993,000 paid in June 2016.

The fair values of the identifiable assets and liabilities of Jinan Nornoon as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition
		US$'000
Property, plant and equipment		6,633
Prepaid land lease payments		911
Other intangible assets – patents		953
Other intangible assets – customer relationship		156
Inventories		1,494
Trade and notes receivables		1,494
Prepayments, deposits and other receivables		401
Cash and cash equivalents		8,064
Trade payables		(1,378)
Other payables and accruals		(4,642)
Interest-bearing bank borrowings		(1,237)
Tax payable		151
Deferred tax liabilities		(167)
Total identifiable net assets at fair value		12,833
Non-controlling interests		(6,288)
Goodwill arising on acquisition	10	1,448
Satisfied by cash		7,993

An analysis of the cash flows on acquisition is as follows:

	US$'000
Cash consideration of the acquisition	(7,993)
Cash and bank balances acquired	8,064
Net cash inflow on acquisition (included in cash flows from investing activities)	71

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Jinan Nornoon with those of the Group. The goodwill is not deductible for income tax purposes.

The Group incurred transaction costs of US$54,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss and are part of operating cash flows in the statement of cash flows.

POSITIONING OF THE COMPANY

The Group is a world leader in the global gene synthesis service market with recognized stature in synthetic biology.

The Group is a well-recognized life sciences research and application service and product provider with comprehensive portfolio coverage in the world. The broad and integrated life sciences research and application service and product portfolio comprises four segments, namely, (i) life sciences research services, (ii) life sciences research catalog products, (iii) preclinical drug development services, and (iv) industrial synthetic biology products. The services and products are primarily used by scientists and researchers for conducting fundamental life sciences research, translational biomedical research, and early stage pharmaceutical development. Its synthetic biology products are also used by industry users of industrial enzymes, such as those in the food industry. With a strong sales and marketing team and strong research and development capabilities, the Company maintains a stable and sustainable growth.

Originally founded in New Jersey in the United States in 2002, we have established an extensive direct sales network, reaching over 100 countries in North America, Europe, the PRC, Asia Pacific (excluding the PRC and Japan) and Japan. We have established a highly diversified customer base, including pharmaceutical and biotech companies, colleges and universities, research institutes, government bodies (including government testing and diagnostic centers) and distributors.

BUSINESS REVIEW

For the six months ended June 30, 2016, the Group's overall revenue increased by 29.4% to US$53.2 million (the same period in 2015: US$41.1 million). Gross profit was US$35.9 million, representing an increase of 33.5% from US$26.9 million for the same period in 2015. Gross profit margin maintained at a relatively stable level of 67.5% (the same period in 2015: 65.4%). The profit attributable to the shareholders of the Company (the "**Shareholders**") was approximately US$13.2 million, increased by 131.6% as compared with US$5.7 million for the same period as of June 30, 2015.

During the Reporting Period, the revenue of life sciences research services, life sciences research catalog products, preclinical drug development services, and industrial synthetic biology products accounted for approximately 83.3%, 5.1%, 9.0%, and 2.6%, respectively, of the total revenue of the Group.

Results Analysis of the Four Business Segments

Life Sciences Research Services

During the Reporting Period, revenue of life sciences research services amounted to US$44.3 million, representing an increase of 20.4% (the same period in 2015: US$36.8 million). Gross profit margin varied from 66.3% for the same period last year to 69.5% this year, and maintained at a stable level.

The Group continued to strengthen its online ordering system during the Reporting Period. A new and upgraded online ordering system has been launched to improve the online ordering experience. Through consistent effort in optimizing key accounts management, the Group was able to secure businesses with its existing key clients and establish relationships with new clients, particularly in the areas of protein production and therapeutic antibody development. Meanwhile, the Group has also exerted considerable effort in simplifying the internal workflow of gene synthesis to shorten the turnaround time, which in turn enabled the Group to maintain its leadership position in gene synthesis.

Life Sciences Research Catalog Products

During the Reporting Period, revenue of life sciences research catalog products amounted to US$2.7 million, representing an increase of 125.0% (the same period in 2015: US$1.2 million). Gross profit margin varied from 62.6% for the same period last year to 64.7% this year.

The Group launched an innovative instrument, namely, eStain L1, for protein staining, in the PRC market in March 2016. As an improved version of eStain 2.0, eStain L1 provides better staining result and reduces the cost of each staining process. The Group has also developed customized magnetic beads with higher binding capacity for industry clients. In addition, the Group has launched new and stable cell lines that are able to express the most popular immune checkpoint in April 2016, including PD1, PD-L1, VISTA, Tim3 and Lag3.

Preclinical Drug Development Services

During the Reporting Period, revenue of preclinical drug development services was US$4.8 million, representing an increase of 84.6% as compared with US$2.6 million for the same period in 2015. Gross profit margin increased from 64.3% for the same period last year to 66.2% this year.

The Group's single-domain antibody drug discovery has been leading revenue generation, as this service platform offered high versatility and speediness of generating therapeutic candidates with multiple target seeking capability, molecular stability, and long-lasting therapeutic effect. It is considered by the pharmaceutical community as one of the most promising second generation modality of therapeutic antibodies with applications in the treatment of cancer and inflammatory diseases. Meanwhile there is a significant demand of in vitro and in vivo bioassays to validate the concept of combinatory therapies or bispecific therapeutic antibodies, which accounted for the growth of revenue in in vitro and in vivo pharmacology.

Industrial Synthetic Biology Products

During the Reporting Period, revenue of industrial synthetic biology products increased by 180.0% to US$1.4 million (the same period in 2015: US$0.5 million). Gross profit margin varied from 5.7% for the same period last year to 14.4% this year.

The Group has adjusted the sales strategy under this segment with a focus on improving relationship with key customers. The range of flagship products has been expanded and upgraded. Meanwhile, we have also been actively developing new products in the field of special enzymes.

FINANCIAL REVIEW

	Six months ended June 30,		
	2016	2015	**Change**
	US$'000	*US$'000*	
Revenue	**53,200**	41,050	29.4%
Gross profit	**35,897**	26,858	33.5%
Net profit	**13,191**	5,746	131.6%
Profit attributable to the Shareholders	**13,191**	5,746	131.6%
Basic earnings per share *(US$)*	**0.0080**	0.0049	63.3%
Diluted earnings per share *(US$)*	**0.0078**	0.0047	66.0%

Revenue

During the Reporting Period, the Group recorded revenue of US$53.2 million, representing an increase of 29.4% from US$41.1 million for the same period of 2015. This is mainly caused by the increase in the sales volume derived from our launch of a number of new services and products in the traditional fields, our enhanced marketing campaign to expand the customer base and the increase in demand in the global market. Our productivity and efficiency has also been improved through continuous research and development to ensure timely delivery of our services and products.

Gross Profit

During the Reporting Period, the Group's gross profit increased by 33.5% to US$35.9 million from US$26.9 million for the same period of 2015. Gross profit margin varied from 65.4% for the same period last year to 67.5% this year.

Selling and distribution expenses

The selling and distribution expenses increased by 14.3% to US$9.6 million during the Reporting Period from US$8.4 million for the same period of 2015. This is mainly due to an increasing compensation and benefit of our sales and marketing personnel.

General and administrative expenses

During the Reporting Period, the general and administrative expenses decreased by 4.5% to US$8.5 million from US$8.9 million for the same period of 2015, excluding the research and development expenses. This is mainly due to the decrease in the listing expenses, and was partly offset by the improved employees' welfare and compensation, the delivery of a series of training courses for the benefit of the employees, and the setting up of a new strategic business development department.

Research and development expenses

During the Reporting Period, the research and development expenses increased by 45.8% to US$3.5 million from US$2.4 million for the same period of 2015. This is mainly due to the involvement of several new challenging projects under the industrial synthetic biology products segment.

Income tax expense

The income tax expense increased from US$2.2 million for the same period of 2015 to US$3.0 million for the Reporting Period, mainly because of the increase in the profit before tax.

Net profit

During Reporting Period, net profit of the Group increased by 131.6% from approximately US$5.7 million for the same period of 2015 to approximately US$13.2 million.

Significant investments held, material acquisitions and disposals

On June 30, 2016, the Company, through Nanjing Bestzyme Bioengineering Co., Ltd.* (南京百斯杰生物工程有限公司), its indirect wholly-owned subsidiary, completed the acquisition of 51% equity interest in Jinan Nornoon Biological Engineering Co., Ltd* (濟南諾能生物工程有限公司) (the "**Target Company**") by way of capital injection (the "**Investment**"). Please refer to the announcements dated April 6, 2016, May 18, 2016 and June 30, 2016 for details of the transactions and arrangements under the Investment. As a result of the completion of the Investment, the Target Company has become an indirect subsidiary of the Company.

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

Contingent liabilities and guarantees

As of June 30, 2016, the Group did not have any material contingent liabilities or guarantees.

Current ratio and gearing ratio

As of June 30, 2016, the Group's current ratio (current assets to current liabilities) was approximately 4.4 (as at December 31, 2015: 4.3); and gearing ratio (total liabilities to total assets) was approximately 17.6% (as at December 31, 2015: 18.0%).

Bank loans

As at June 30, 2016, Jinan Nornoon borrowed short-term interest-bearing loans from Agricultural Bank of China and Postal Savings Bank of China for a total amount of RMB8,200,000 (equivalent to approximately US$1,237,000), which were secured by charges on certain Jinan Nornoon's lands, property, plant and equipment. Jinan Nornoon used such loans to purchase raw materials and replenish working capital. Please refer to note 17 to the financial statements in this announcement for details.

Future plans for material investments or capital assets

On June 20, 2016, the Company, through GenScript (Hong Kong) Limited (金斯康(香港)有限公司), its indirect wholly-owned subsidiary, entered into an investment agreement with Zhenjiang New Area Administrative Committee* (鎮江新區管理委員會) in relation to the setting up of the Group's gene synthesis services outsourcing base in Zhenjiang Economic and Technical Development Zone* (中國鎮江經濟技術開發區) by establishing a wholly-owned project company. Please refer to the announcements dated June 20, 2016 and June 21, 2016 for details of the investments.

In the current financial year, the Group is considering to allocate more resources in developing the peptide synthesis business, enhancing the production capacity of industrial enzymes, increasing investment in the scale of life sciences research and development activities, and strengthening the capability under the preclinical drug development services.

Save as disclosed above, there was no specific plan for material investments or capital assets as of June 30, 2016.

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 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 all customers and counterparties. These evaluations focus on the counterparties' financial position, past history of making payments and take into account information specific to the counterparties as well as pertaining to the economic environment in which the counterparties operate. 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 of customers from colleges, universities, and research institutes in China, and occasionally with other customers in the United States and Europe. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of the year to ensure adequate impairment losses are made for irrecoverable amounts.

Charges on group assets

As of June 30, 2016, other than charges over Jinan Nornoon's lands, property, plant and equipment, the Group had no charges over its assets.

Working capital and financial resources

As of June 30, 2016, the cash and cash equivalents of the Group amounted to US$122.1 million (as of December 31, 2015: US$103.7 million).

Capital expenditure

During the Reporting Period, the expenditure incurred in purchasing intangible assets, namely software, patents and license was US$0.1 million, while the expenditure incurred in purchasing property, plant and equipment and construction in process amounted to US$4.1 million.

Employees and remuneration policies

As of June 30, 2016, the Group has a total of approximately 1,322 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, salaries, employees' benefits, responsibility for breach of contractual obligations, and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies, and other employees' benefits, which are determined with reference to experience, number of years with the Group, and other general factors.

During the Reporting Period, the Group's total expenses on the remuneration of employees was approximately US$18.2 million (excluding share-based payment of approximately US$0.8 million), representing 34.2% of the revenue of the Group.

On July 15, 2015, the Company adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**"). On December 7, 2015, the Company adopted a post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). No further options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on the Stock Exchange. On June 22, 2016, under the Post-IPO Share Option Scheme, 8,478,137 share options to subscribe for an aggregate of 8,478,137 ordinary shares of US$0.001 each of the Company were granted to six employees with validity period of the options from June 22, 2016 to June 21, 2026 and exercise price of HK$1.204. Save as disclosed, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

The number of employees of the Group categorized by function as of June 30, 2016 is set forth as follows:

Function	**Number of employees**	**Percentage of total**
Production	712	53.9%
Sales and marketing	195	14.7%
Administration	198	15.0%
Research and development	141	10.7%
Management	76	5.7%
Total	1,322	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.

USE OF 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 June 30, 2016 is set forth as follows:

Item	**Utilized amount as at June 30, 2016** *(US$ million)*
Expand life sciences research and application service and product portfolio	12.5
Expand production capacity	15.0
Enhance information technology capability	0.3
Acquire interests in or business of companies to complement existing operations	8.0
Total	35.8

PROSPECTS

We believe that we have achieved the pre-set goals in all major aspects within the first six months of 2016. We believe market demand remains strong and we are able to continue to outperform our competitors.

With abundant opportunities in the market, the Group continues to apply the following strategies in achieving its mission and sustainable growth:

- increase investment in research and development projects to expand the research and application service and product portfolio;
- enhance production capacity to capitalize on the strong demand for the life sciences research and application services and products;
- increase penetration into the overseas and PRC markets by expanding and strengthening the sales and marketing team; and
- pursue strategic acquisitions to complement organic growth.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended June 30, 2016, neither the Directors nor any of their close associates had any interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2016.

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.

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 "**Corporate Governance 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 Corporate Governance Code throughout the six months ended June 30, 2016, except for the deviation of code provision A.2.1.

As required by code provision A.2.1 of the Corporate Governance Code, 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 date of listing. 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 would ensure that the present structure would not impair the balance of power in the Group.

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), Ms. Zhang Min and Mr. Guo Hongxin, all of whom are independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee has together with the management and external auditors reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Group's unaudited consolidated interim results for the six months ended June 30, 2016.

SANCTIONS RISK CONTROL COMMITTEE

During the Reporting Period to the date of this announcement, the sanctions risk control committee of the Company (the "**Sanctions Risk Control Committee**") held two meetings on March 22, 2016 and July 12, 2016 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' INFORMATION

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

The remuneration package of Dr. Zhang Fangliang, the chairman and the executive Director of the Company, has been revised by the Remuneration Committee in consideration of his responsibility and market rates. The amount of the annual base salary of Dr. Zhang Fangliang has been increased to US$296,851/year and the annual bonus base has been increased to US$104,188/year with effect from July 1, 2016.

The remuneration package of the executive Directors and senior management of the Company has been reviewed by the Remuneration Committee. A performance-based discretionary incentive bonus plan has been adopted with effect from August 2016 (the "**Incentive Bonus Plan**"). Under the Incentive Bonus Plan, incentive bonuses may be payable to the executive Directors and senior management of the Company with outstanding performance. The amount of the incentive bonus that may be payable to each of the executive Directors and senior management of the Company is determined by reference to the Group's percentage increase in net profit when compared to the previous financial year and each of their individual performance. The Incentive Bonus Plan was adopted with the aim to motivate the contribution of the executive Directors and the senior management of the Company.

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 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.

ACKNOWLEDGMENT

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

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

Hong Kong, August 28, 2016

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