



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

2018

Interim Report



* For identification purposes only

CONTENTS

	<i>Page</i>
CORPORATE PROFILE	2
CORPORATE INFORMATION	4
FINANCIAL HIGHLIGHT	6
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
OTHER INFORMATION	19
INDEPENDENT REVIEW REPORT	33
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	34
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	35
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	36
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	38
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	40
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	42

CORPORATE PROFILE

As a leading global biotechnology company, the Group's proprietary gene synthesis technology has not only contributed to our leadership as a provider of gene synthesis services and products, but it has also integrated its gene synthesis services and products with its oligo synthesis and DNA sequencing capabilities to establish the one-stop life science CRO (Contract Research Organization) platform, along with services of protein production, antibody development, and peptide synthesis.

Our one-stop life science CRO business have laid down a solid foundation that enabled "GenScript" to have become one of the reputable and trustworthy strategic partners in the life science research community, with services and products delivered to our customers in a timely manner. As of June 30, 2018, over 33,700 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 the life sciences research community were indicated to be frequent users of our services and products.

Aspired and driven by the Group's mission to "Make People and Nature Healthier through Biotechnology", the Group has been continuously investing into research and development activities to incubate more advanced technology platforms based on its gene synthesis core competencies and its CRO platform. We believe this technology incubation strategy may fully exploit our technical advantages and therefore extend our operational experience into the relevant bio-technology industries. Through this approach, the Group is able to access more market opportunities and therefore to achieve its sustainable business growth and success in the long run.

Our leading biologic drug discovery and development platform, CDO (Contracted Development Organization) Platform, has been successfully established with years of commitments and investment made in research and development activities. This advanced technology platform features applying our proprietary technology to provide bi-specific single domain antibody drug discovery and development services to pharmaceutical customers, thus we are able to facilitate customers to accelerate their drug development process by providing one-stop solution from drug target to clinical trials. The performance of our CDO platform has been recognized by our customers in the bio-pharmaceutical industry, and more and more strategic partnerships have been built up with our customers that brought almost doubled sales revenue and an increase of approximately 197% of sales orders during the six months ended June 30, 2018 (the "**Reporting Period**").

With the GMP (Good Manufacturing Practice) facilities currently going through the design stages and will be under construction in the near future, this CDO platform may enable our customers to benefit from the full cycle of the CDMO (Contracted Development and Manufactory Organization) services covering the drug discovery, development, and manufacture. We strongly believe that this CDMO business line will become another engine to drive significant business growth.

This CDMO platform, together with the life science CRO platform, form our bio- science service and products business segment that aims to "Make Research Easy."

CORPORATE PROFILE (CONTINUED)

Legend Biotech Corporation and its subsidiaries (“**Legend Group**”), belonging to our cell therapy segment, has successfully developed its proprietary CAR-T technology platform that was evolved from our CDO Platform. This platform integrates the advanced bi-specific single domain antibody development technology to fight against cancer cells by targeting multiple targets, which has achieved notifiable efficacy and safety profiles, and ultimately will create a potential curable solution to cancers and other diseases. Our LCAR-B38M CAR-T cell therapy product has been approved for a clinical trial as the CAR-T product in China, and has been authorized as the China originated CAR-T product (JNJ 68284528) to start a Phase 1b/2 clinical trial in the United States as well, which has been moving forward jointly with scientists from Janssen Biotech, Inc. (“**Janssen**”).

To smoothly fulfill the implementation of the clinical trial for the Legend Group’s LCAR-B38M product in China, the United States, and Europe, and the anticipated commercialization, a number of experienced professional and managerial members have joined Legend Group. Their expertise and commitment will constitute the backbone of Legend Group’s operation to enable Legend Group to be transformed from a biotech group into a bio-pharmaceutical group in the future.

Bestzyme Biotech Corporation and its subsidiaries (“**Bestzyme Group**”), belonging to our industrial synthetic biology products segment, delivers innovative and affordable products to our customers to assist them to improve their performance and profitability. Our featured enzyme expression systems, built upon the strong and integrated biotechnology platform of the Group, are both GRAS (Generally Recognized As Safe)-graded and eco-friendly with the aim to create value and improve the quality of people’s daily lives and to address environmental problems. Currently, our products have been well recognized by our customers in the food processing and feed additive industries. We believe that the synthetic biology fields have potentials from the technical and commercial perspectives, while we continuously implement our research and development strategy and further strengthen our efforts in the production and commercialization management.

Originally founded in New Jersey in the United States in 2002, the Group has been aiming at the global market and has 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. With the CAR-T cell therapy stepping into the commercialization stage in the future, it is believed that cancer patients will be able to benefit from our cell therapy products and solutions.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang Fangliang (*Chairman and Chief Executive Officer*)

Ms. Wang Ye (*President*)

Mr. Meng Jiange (*Vice President of Investor Relations*)

Non-Executive Directors

Dr. Wang Luquan

Mr. Pan Yuexin

Independent Non-Executive Directors

Mr. Guo Hongxin

Mr. Dai Zumian

Ms. Zhang Min

AUDIT COMMITTEE

Mr. Dai Zumian (*Chairman*)

Ms. Zhang Min

Mr. Guo Hongxin

REMUNERATION COMMITTEE

Mr. Guo Hongxin (*Chairman*)

Ms. Wang Ye

Mr. Dai Zumian

NOMINATION COMMITTEE

Dr. Zhang Fangliang (*Chairman*)

Ms. Zhang Min

Mr. Dai Zumian

SANCTIONS RISK CONTROL COMMITTEE

Dr. Zhang Fangliang (*Chairman*)

Ms. Wang Ye

Mr. Meng Jiange

Mr. Eric Wang

Mr. Shawn Wu

COMPANY SECRETARY

Ms. Wong Wai Ling

AUTHORISED REPRESENTATIVES

Dr. Zhang Fangliang

Mr. Meng Jiange

HONG KONG LEGAL ADVISERS

Jones Day

31/F Edinburgh Tower

The Landmark

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Hong Kong

AUDITOR

Ernst & Young

Certified Public Accountants

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Cayman Island

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Jiangning Science Park

Nanjing

Jiangsu Province

PRC

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
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Wanchai
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Services (Cayman) Limited
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Cayman Islands

HONG KONG SHARE REGISTRAR

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Services Limited
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183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKS

Bank of America, N.A. Hong Kong Branch

20th Floor, Tower 2
Kowloon Commerce Centre
51 Kwai Cheong Road
Kwai Chung
Hong Kong

Bank of America Scotch Plains Office

336 Park Avenue
Scotch Plains
NJ 07076
USA

Yueyahu Branch of China Merchant Bank

No. 88, Mu Xu Yuan Street
Nanjing
PRC

COMPANY WEBSITES

www.genscript.com
www.bestzyme.com

PLACE OF LISTING OF SHARES

The Stock Exchange of
Hong Kong Limited – Main Board

STOCK CODE

1548

STOCK NAME

GENSCRIPT BIO

FINANCIAL HIGHLIGHT

- Revenue of the Group for the six months ended June 30, 2018 was approximately US\$112.2 million, representing an increase of 77.0% as compared with US\$63.4 million recorded for the same period of 2017.
- Gross profit of the Group for the six months ended June 30, 2018 was approximately US\$81.4 million, representing an increase of 89.7% as compared with US\$42.9 million recorded for the same period of 2017.
- Profit of the Group for the six months ended June 30, 2018 was approximately US\$17.6 million, representing an increase of 16.6% as compared with US\$15.1 million recorded for the same period of 2017. The adjusted net profit (excluding share based payment expenses) was approximately US\$21.2 million, representing an increase of 31.7% as compared with US\$16.1 million recorded for the same period in 2017.
- Profit attributable to the shareholders of the Group for the six months ended June 30, 2018 was approximately US\$15.5 million, representing an increase of 3.3% as compared with US\$15.0 million recorded for the same period of 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

For the six months ended June 30, 2018, the Group's overall revenue increased by 77.0% to US\$112.2 million (the same period in 2017: US\$63.4 million). Gross profit was approximately US\$81.4 million, representing an increase of 89.7% from approximately US\$42.9 million for the same period in 2017. Gross profit margin maintained at a relatively stable level of 72.5% (the same period in 2017: 67.7%). The profit attributable to the shareholders of the Company (the "**Shareholders**") was approximately US\$15.5 million, increased by 3.3% as compared with approximately US\$15.0 million for the same period as of June 30, 2017.

During the Reporting Period, the revenue of (i) bio-science services and products, (ii) industrial synthetic biology products, and (iii) cell therapy accounted for approximately 66.5%, 6.4%, and 27.1%, respectively, of the total revenue of the Group.

Results Analysis of the Three Business Segments

1. Bio-science services and products

During the Reporting Period, revenue of bio-science services and products amounted to approximately US\$74.6 million, representing an increase of 27.1% (the same period in 2017: US\$58.7 million). The gross profit was approximately US\$50.0 million, representing an increase of 20.8% as compared with approximately US\$41.4 million for the same period in 2017. The gross profit margin varied from 70.5% for the same period last year to 67.0% this year.

The growth of revenue was mainly attributable to the (i) significant increase in revenue derived from the biologics business subsequent to years of development of both novel antibody drugs and biosimilar development services, (ii) fully operational Zhenjiang production facility, along with the automated production line of the peptide business, increased production capacity of bio-science business that brought additional steady revenue stream to the segment, (iii) (a) establishment of Genscript Biotech (Netherlands) B.V. ("**GS EU**") to cope with the extensive market investment strategy, (b) reinforced the sales team by recruiting more experienced sales person and engaging them in more exhibitions as well as advertising on diverse media platforms with new packaging launched to enhance brand image and visibility, (c) enhanced implementation of a wide range of user-friendly online service and their continuous upgrades so as to attract new customers and improve customers' loyalty of our services and products, and (iv) continued research and development investment that enabled more competitive new products and services to be launched onto the market, thereby expanding the customer range and reinforcing customers' loyalty, in addition to the enhancement of our core competitiveness.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Group launched a series of new services and products, including (i) oligonucleotide for molecular diagnostic and pharmaceutical industry, including NGS (Next Generation Sequencing), STR (Short Tandem Repeat), DEL (DNA Encoded Library), (ii) SMAB (Single-domain antibody fused to Monoclonal Antibody), a novel bi-specific antibody platform with complete Intellectual right, and (iii) magnetic beads for bio-magnetic separation of therapeutic antibodies and epitope tagged proteins.

The slight decrease in the gross profit margin was mainly due to:

- (i) the Company's investment in talents, which on the one hand had increased the labor costs, and therefore in the short term had impaired the gross profit margin, but on the other hand, had laid a solid foundation to stabilize the frontline workforce and motivate them to further improve work efficiency in the future; and
- (ii) the Company's continuous investment in work process optimization to further improve the quality and efficiency of our services and products to customers in a timely manner, which we believe is critical to build up a long term strategic partnership with our customers and therefore will improve our customers' loyalty and satisfaction to our bio-science services and products.

2. Industrial synthetic biology products

During the Reporting Period, revenue of industrial synthetic biology products increased by 53.2% to US\$7.2 million (the same period in 2017: US\$4.7 million). The gross profit was approximately US\$1.0 million, representing a decrease of 33.3% as compared with approximately US\$1.5 million for the same period in 2017. Gross profit margin varied from 31.9% for the same period last year to 13.9% this year.

The growth of the revenue was mainly attributable to:

- (i) the new manufacture facility that improved the quality of products and stable supply of products to meet customers' demands, although the production system is under further optimization process;
- (ii) the reinforced sales force that expanded the sales networks and enhanced customers' loyalty through improved key accounts management programs;
- (iii) the successful launch of a number of new products that brought additional sales to the portfolio;
- (iv) the efforts to expand the business to overseas market has been paid off with growing export sales revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The decrease of gross profit was mainly due to the additional materials consumed during the test run of the newly completed production facilities, which caused additional material cost and short term efficiency impairment during the test run. With the foreseeable completion of optimization process as planned by the end of 2018, it is expected that well-controlled and stable massive production may become possible. Thus, full exploitation of the increased production capacity with high level of automation will lead to a new level of competitive strength. It is believed that the gross margin of this business segment will be significantly improved after the completion of the process optimization.

3. Cell therapy

During the Reporting Period, revenue of cell therapy amounted to approximately US\$30.4 million (the same period in 2017: nil). The gross profit was approximately US\$30.4 million as compared with nil for the same period in 2017. Gross profit margin varied from nil for the same period last year to 100.0% this year. The growth of the revenue and gross profit was mainly attributable to the collaboration with Janssen. For details of the collaboration, please refer to our announcement dated December 22, 2017.

During the Reporting Period, significant progress has been made on LCAR-B38M targeting BCMA against multiple myeloma with the smooth collaboration with Janssen. CFDA (China Food and Drug Administration 國家食品藥品監督管理局) and FDA (The Food and Drug Administration of the United States) have granted their authorization for the commencement of clinical trials in both China and the United States with the involvement of teams from Legend Biotech and Janssen. Further commitments from both Legend Biotech and Janssen will be made so as to accelerate the clinical trial process in the forthcoming months in a well-designed and coordinated manner.

Our newly established research and development center in Ireland had expanded the impact in European Union and facilitated the PCT (Patent Cooperation Treaty) approval and further IND (Investigational New Drug) submission in the European Union.

With the collaboration project pushed forward and milestone achieved, it is believed that continuous revenue will be recognized in the following years.

A new CAR-T product treating DLBCL (Diffuse large B cell lymphoma) has undergone the ethic committee's approval and started the recruitment of patients for the clinical study in a domestic hospital, which is developed with proprietary CAR-T technology of Nanjing Legend Biotechnology Co. Ltd.* (南京傳奇生物科技股份有限公司) characterized with the Chimeric Antigen Receptor (CAR) constructed with the Bi-Specific Single Domain Antibody, instead of the conventional CAR constructed with scFv.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

	Six months ended June 30,		Change
	2018 US\$'000	2017 US\$'000	
Revenue	112,221	63,386	77.0%
Gross profit	81,366	42,934	89.7%
Net profit	17,646	15,117	16.6%
Profit attributable to the Shareholders	15,519	14,980	3.3%
Basic earnings per share (US\$)	0.0089	0.0088	1.1%
Diluted earnings per share (US\$)	0.0085	0.0086	(1.2%)

REVENUE

During the Reporting Period, the Group recorded a revenue of approximately US\$112.2 million, representing an increase of 77.0% from approximately US\$63.4 million for the same period of 2017. This is mainly due to (i) the recognition of the upfront payment from Janssen to Legend Biotech, (ii) growth of orders in biopharmaceutical CDO business, (iii) advanced new technologies combined with updated processes that improved the quality of products delivered bringing additional sales to the traditional business, and (iv) cost reduction that enabled business expansion at a more competitive price to acquire additional orders.

GROSS PROFIT

During the Reporting Period, the Group's gross profit increased by 89.7% to approximately US\$81.4 million from approximately US\$42.9 million for the same period of 2017. Gross profit margin varied from 67.7% for the same period last year to 72.5% this year. The is mainly attributable to revenue recognized with much higher gross profit margin, which was derived from the collaboration with Janssen.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses increased by 84.5% to approximately US\$19.0 million during the Reporting Period, compared with US\$10.3 million for the same period in 2017. This increase is mainly driven by:

- (i) increased investment into the commercial talent pool by recruiting more experienced personnel and improved incentive packages to enable our services and products to be able to penetrate into the key markets and improve the business;
- (ii) the establishment of GS EU to provide efficient services and further expand the European market that has resulted in promising progress;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (iii) participating in high-profile exhibitions and industry conferences, publishing articles in leading industry publications and journals to further enhance the brand awareness of our brands covering our bio-science services and products, cell therapy and industrial synthetic products;
- (iv) continuous improvement and upgrading of our online platform to enhance the accessibility and usability, and therefore improved the willingness of our customers to place repeated orders and raised their inquiries through our electronic system. Through providing online seminars featured with our strategic technological advancement, we also enhanced the communication and interaction with our customers; and
- (v) enhanced advertisements placed to improve the Group's brand image among the targeted audiences in the bio-science and industrial synthetic products industries.

ADMINISTRATIVE EXPENSES

During the Reporting Period, the general and administrative expense increased by 104.3% to approximately US\$19.2 million from approximately US\$9.4 million for the same period in 2017. This is mainly attributable to:

- (i) competitive compensation package including shared-based payment provided to recruit experienced talents for all business segment;
- (ii) the reinforcement of some key functions such as human resources, quality control, and finance to build up capable and professional administrative team to support the Group's overall business expansion, especially in the cell therapy segment, to push forward its current implementation of clinical trials and upcoming commercialization; and
- (iii) the setup of European operations in the Netherlands and Ireland to accelerate the Group's global market penetration strategy that resulted in increase in professional service costs, such as legal fees, consulting fees, audit fees for the purpose of meeting with the local compliance requirements.

RESEARCH AND DEVELOPMENT EXPENSES

During the Reporting Period, the research and development expenses increased by 481.3% to approximately US\$27.9 million from approximately US\$4.8 million for the same period in 2017. This is mainly attributable to:

- (i) the fair share of the joint research and development costs incurred by both Legend Biotech and Janssen, to move forward the clinical trials in both the United States and China, according to the global licensing and collaboration agreement signed in December 2017;
- (ii) continuous investment in research and development of secondary generation of BCMA CAR-T product and other new targets to build up our own CAR-T pipelines to fight other liquid and solid tumors;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (iii) continuous efforts on research and development service of novel antibody drugs and biosimilar research projects;
- (iv) the increase in our research and development activities in connection with the improvement of the automation and high throughput technology in our CRO business; and
- (v) our participation in certain new challenging research and development projects under the industrial synthetic biology products segment, which significantly strengthened our competitiveness in the market and improved our production efficiency.

INCOME TAX EXPENSE

During the Reporting Period, the income tax expense decreased from US\$3.0 million in 2017 to US\$2.0 million in 2018. The effective tax rate decreased from 16.6% in 2017 to 10.0% in 2018, mainly because of (i) the impact of tax reform in the United States which led to the drop in federal income tax rate from 35% to 21%, (ii) the impact of lower income tax rate for Ireland's operations at 12.5%, and (iii) increased tax credit obtained due to the increase in the research and development expenses incurred by the PRC subsidiaries.

NET PROFIT

During the Reporting Period, net profit of the Group increased by 16.6% from approximately US\$15.1 million for the same period of 2017 to approximately US\$17.6 million.

SIGNIFICANT INVESTMENTS HELD, 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 May 11, 2018, the Company's indirect wholly-owned subsidiary, GenScript (Hong Kong) Limited (金斯康(香港)有限公司) and Zhenjiang New Area Administrative Committee* 鎮江新區管理委員會 (the "**Zhenjiang Committee**") entered into the second and third supplemental agreements to the investment agreement dated June 20, 2016 in relation to (i) the lease of a factory for conducting projects on plasmid products, and for providing office and warehouse facilities for gene synthesis services and polypeptide projects in the Zhenjiang Economic and Technical Development Zone* (中國鎮江經濟技術開發區), and (ii) the increase of the total area of reserved land and amendment to the subsidies to be provided by Zhenjiang Committee, respectively. Please refer to the announcements dated June 20, 2016, June 21, 2016, October 20, 2016 and May 13, 2018 for details.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CONTINGENT LIABILITIES AND GUARANTEES

As of June 30, 2018, the Group did not have any material contingent liabilities or guarantees.

CURRENT RATIO AND GEARING RATIO

As at June 30, 2018, the Group's current ratio (current assets to current liabilities) was approximately 5.6 (as at December 31, 2017: 3.6); and gearing ratio (total liabilities to total assets) was approximately 43.8% (as at December 31, 2017: 54.5%).

BANK LOANS

As at June 30, 2018, Jinan Bestzyme Biological Engineering Co., Ltd* (濟南百斯杰生物工程有限公司) ("**Jinan Bestzyme**") borrowed short-term interest-bearing loans from Shanghe Branch Bank of China Post and Reserve Bank for a total amount of RMB4,000,000 (equivalent to approximately US\$605,000), which were secured by credit. Jinan Bestzyme used such loans to purchase raw material and replenish working capital.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group plans to (i) build a GMP biologics manufacture facility in Nanjing with a total investment amount of approximately US\$28.0 million, to meet the small scale biologics manufactory demand for clinical trials, (ii) construct a GMP qualified biologics manufacture facility in Zhenjiang with a total investment amount of approximately US\$75.0 million, that will be spread in the upcoming two and half years in two phases, which may meet the customers' demand for mid to large scale of biologic drugs production for commercialization purpose, and (iii) a GMP qualified facility for CAR-T processing so as to meet the clinical trial requirement in China with a total investment of up to approximately US\$18.0 million jointly with Janssen, 70.0% of it will be borne by Legend Biotech; (iv) jointly with Janssen, to renovate a GMP manufacture facility located in the United States, with estimated investment of approximately US\$100.0 million, in which Legend Biotech will be responsible for 50.0% of the capital spending, (v) jointly with Janssen, to build a GMP manufacturing facility located in Europe, with estimated investment of approximately US\$150.0 million, in which Legend Biotech will be responsible for 50.0% of the capital spending.

Save as disclosed above, there was no specific plan of material investments or capital assets as of June 30, 2018.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. The Group 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

Other than bank balances with variable interest rate and short-term deposits with fixed interest rates, the Group has no other significant interest-bearing assets. The management of the Group does not anticipate any significant impact on 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 notes receivables, other receivables and other current financial assets are the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparties' financial position, past history of making payments, and take into account information specific to the counterparties as well as pertaining to the economic environment in which the counterparties operates. Monitoring procedures have been implemented to ensure that follow-up actions will be taken to recover overdue debts. Credit limits were granted to certain customers in consideration of their payment history and business performance. Prepayment agreements were sometimes entered into with certain customers from food companies, colleges, universities, 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 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 at June 30, 2018, the Group had no charges over its lands, property, plant, equipment, or other assets.

WORKING CAPITAL AND FINANCIAL RESOURCES

As at June 30, 2018, the cash and cash equivalents of the Group amounted to US\$632.6 million (as at December 31, 2017: US\$123.9 million).

CAPITAL EXPENDITURE

During the Reporting Period, the expenditure incurred in purchasing intangible assets, namely software, patents and license was US\$0.5 million, while the expenditure incurred in purchasing property, plant and equipment and construction in process amounted to US\$45.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2018, the Group had a total of approximately 2,020 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\$38.3 million (excluding share-based payment of approximately US\$3.6 million), representing 34.1% of the revenue of the Group. This significant increase in labor costs had been viewed by the Group as the necessary long term investment in our talents pool. This investment has demonstrated the Group's desires and resolutions to continue to strengthen its talent uplifting strategy. This talent uplifting strategy not only involves the recruitment of experienced professional and managerial personnel to fulfill the front line posts of research and development, commercial and production functions, but also systematically increases the overall salary and benefits packages to sustain the stability of the employees to drive for long term commitment and performance improvement as well.

On July 15, 2015, the Company adopted the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**"). On December 7, 2015, the Company adopted a post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). On December 21, 2017, the Company approved and adopted the share option scheme of Legend Biotech Corporation ("**Legend Cayman**"), being the direct non-wholly owned subsidiary of the Company (the "**Subsidiary Share Option Scheme**", together with the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, the "**Share Option Schemes**"). No further options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on the Stock Exchange.

On May 4, 2018, under the Post-IPO Share Option Scheme, 13,950,000 share options to subscribe for an aggregate of 13,950,000 ordinary shares of US\$0.001 each of the Company were granted to certain employees with validity period of the options from May 4, 2018, to May 3, 2028, and exercise price of HK\$26.46. Save as disclosed, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

During the Reporting Period, no share options were granted under the Subsidiary Share Option Scheme.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The number of employees of the Group categorized by function as of June 30, 2018 is set forth as follows:

Function	Number of employees	Percentage of Total
Production	992	49.1%
Sales and marketing	294	14.5%
Administration	333	16.5%
Research and development	260	12.9%
Management	141	7.0%
Total	<u>2,020</u>	<u>100.0%</u>

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 approximately 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**”). A detailed breakdown and description of the use of net proceeds from the listing of the Company is set forth as follows:

Item	Unutilized amount as at January 1, 2018 <i>US\$ million</i>	Utilized amount During the Reporting Period <i>US\$ million</i>	Unutilized amount as at June 30, 2018 <i>US\$ million</i>	Intended year of application
Enhance information technology capability	0.2	0.2	–	–
Acquire interests in or business of companies to complement existing operations	2.2	2.2	–	–
Reinforce the sales and marketing team	7.2	2.8	4.4	2019
Supplement working capital and for general corporate purposes	6.8	6.8	–	–
	<u>16.4</u>	<u>12.0</u>	<u>4.4</u>	
Total	<u>16.4</u>	<u>12.0</u>	<u>4.4</u>	

PROSPECTS

Within the Reporting Period, we achieved major milestones in all business segments, which includes but not limited to the following aspects:

- There has been evident market demand for our bio-science services and products. Our biologic drug discovery and development platform has recorded a significant growth of 104% in revenue and 169% in sales order for the six months ended June 30, 2018 as compared with the revenue and sales recorded for the same period of 2017, respectively. The construction of a new research and development laboratory facility is currently underway. Upon completion, it will cover a floor area of approximately 9,300 m² that will facilitate market expansion in the future.
- Our biologic drug development business, fueled by rising market demand, has shown growth momentum. To support related clinical trials and future commercialization, we have developed phase-by-phase plans to set up our GMP manufacture facilities. We expect to capitalize the market prospects for our antibody drug development platform by delivering a full-coverage of CDMO services, from discovery, development to manufacturing of biologic drugs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- Our CAR-T program targeting BCMA against refractory/relapsed multiple myeloma has obtained the approvals for clinical trials by CFDA and FDA, respectively, within the Reporting Period. The implementation of the clinical trial has already commenced in the U.S. and is planned in the second half of 2018 in China, with the joint efforts and commitments from both Legend Biotech and Janssen. We are confident that the clinical trial will move forward smoothly in the upcoming months, especially when professional and experienced employees have joined Legend Biotech to meet the Group's objectives.
- To release the full potential of our industrial synthetic biology products, we have established a new production facility with 720 m³ annual fermentation capacity. Currently, the facility has started its test run, and is expected to contribute to the stable supply and continuous quality improvement of our products.

In general, the Group will be concentrating on sound and solid implementation of the following key business strategies:

- Prioritize the investment in research and development projects to provide more effective and efficient solutions to satisfy customers' demands.
- Further strengthen the production capacity to capitalize on the demand for our services and products under our business portfolios.
- Continue our investment in the talent recruitment and enhance the professional and management training programs covering our research and development, commercial, production and administrative functions, so as to uplift the operational excellence and efficiency.
- Pursue strategic merger and acquisition to further integrate our current technology platforms with the more advanced technologies to fuel up our future business growth.

The Board is 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.

OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended June 30, 2018, neither the Directors nor any of their close associates had any interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

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

As at June 30, 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares, and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out as follows:

Long positions in the ordinary shares and underlying shares of the Company as at June 30, 2018

Name of Director	Capacity/Nature of interest	Number of Shares/ underlying Shares held/ interested	Approximate Percentage of Shareholding*
Zhang Fangliang	Interest in controlled corporation ^(Note 1) , parties acting in concert ^(Note 2) and founder of a discretionary trust ^(Note 8)	995,955,561	54.31
Wang Luquan	Interest in controlled corporation ^(Note 3) , parties acting in concert ^(Note 2) , beneficial owner ^(Note 4) and other ^(Notes 8 and 9)	995,955,561	54.31
Wang Ye	Interest in controlled corporation ^(Note 5) , parties acting in concert ^(Note 2) , beneficial owner ^(Note 6) and founder of a discretionary trust ^(Note 9)	995,955,561	54.31
Meng Jiange	Beneficial owner ^(Note 7)	5,081,960	0.27

* The percentage has been calculated based on 1,833,605,949 Shares in issue as at June 30, 2018.

OTHER INFORMATION (CONTINUED)

Notes:

- (1) As of June 30, 2018, Zhang Fangliang held approximately 28.82% of the issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (2) On August 14, 2008, Zhang Fangliang, Wang Luquan, and Wang Ye entered into the GS Corp Shareholder Voting Agreement, whereby Zhang Fangliang, Wang Luquan, and Wang Ye agreed to vote unanimously in the shareholder meetings of GS Corp and, contemporaneously, proxies were conferred by Wang Luquan and Wang Ye to Zhang Fangliang authorising Zhang Fangliang to vote and exercise all voting and related rights with respect to the shares that each of Wang Luquan and Wang Ye beneficially owned in GS Corp, which held 887,402,024 Shares as of June 30, 2018. On May 29, 2015, Wu Yongmei signed a proxy agreement whereby she conferred all her voting and related rights in relation to all the shares that she owned in GS Corp, i.e. 108,625,000 shares of GS Corp to Zhang Fangliang.
- (3) As of June 30, 2018, Wang Luquan held approximately 23.69% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in, all the Shares held by GS Corp.
- (4) Wang Luquan held 3,216,640 underlying Shares under the options conditionally granted to him under the Pre- IPO Share Option Scheme.
- (5) As of June 30, 2018, Wang Ye held approximately 6.02% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Ye was deemed, or taken to be interested in, all the Shares held by GS Corp.
- (6) Wang Ye held 105,336,897 underlying Shares under the options conditionally granted to her under the Pre-IPO Share Option Scheme.
- (7) Meng Jiange held 5,081,960 underlying Shares under the options conditionally granted to him under the Pre-IPO Share Option Scheme.
- (8) On October 12, 2017, Zhang Fangliang set up 2017 Fang Liang Zhang Trust (the “**Zhang Trust**”), an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. Zhang Fangliang transferred 5 million shares and 50 million shares of GS Corp to the Zhang Trust on October 17, 2017 and December 1, 2017, respectively. The Zhang Trust (through its trustee), held approximately 12.04% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (9) On October 5, 2017, Wang Ye set up 2017 Wang Ye Family Trust (the “**Wang Trust**”), an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. Wang Ye transferred 2.5 million shares and 25 million shares of GS Corp to the Wang Trust on October 17, 2017 and December 1, 2017, respectively. The Wang Trust (through its trustee) held approximately 6.02% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.

Save as disclosed above, as at June 30, 2018, none of the Directors or chief executive of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that (i) was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise (ii) was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION (CONTINUED)

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

As at June 30, 2018, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company as at June 30, 2018

Name	Capacity/Nature of interest	Number of Shares/ underlying Shares held/ interested	Approximate Percentage of Shareholding*
GS Corp <i>(Note 1)</i>	Beneficial owner	887,402,024	48.39
Jin Weihong <i>(Note 2)</i>	Interest in controlled corporation, parties acting in concert and trustee	995,955,561	54.31
Hu Zhiyong <i>(Note 3)</i>	Interest in controlled corporation, parties acting in concert and trustee	995,955,561	54.31

* The percentage has been calculated based on 1,833,605,949 Shares in issue as at June 30, 2018.

Notes:

- (1) As of June 30, 2018, GS Corp is a company incorporated in the State of Delaware in the United States and owned as to approximately 28.83%, approximately 12.04%, approximately 23.69%, approximately 22.36%, approximately 6.02%, approximately 6.02% and approximately 1.04% by Zhang Fangliang, the Zhang Trust, Wang Luquan, Wu Yongmei, Wang Ye, the Wang Trust and Mu Yingjun, respectively.
- (2) On October 12, 2017, Zhang Fangliang set up the Zhang Trust, an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. Zhang Fangliang transferred 5 million shares and 50 million shares of GS Corp to the Zhang Trust on October 17, 2017 and December 1, 2017, respectively. Jin Weihong, as the trustee of the Zhang Trust, held approximately 12.04% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.
- (3) On October 5, 2017, Wang Ye set up the Wang Trust, an irrevocable discretionary family trust, with her spouse, her son and his living issue as beneficiaries. Hu Zhiyong, the spouse of Wang Ye, is the trustee of the Wang Trust. Wang Ye transferred 2.5 million shares and 25 million shares of GS Corp to the Wang Trust on October 17, 2017 and December 1, 2017, respectively. Hu Zhiyong, as the trustee of the Wang Trust, held approximately 6.02% of the entire issued share capital of GS Corp and was deemed, or taken to be interested in, all the Shares held by GS Corp for the purpose of the SFO.

Save as disclosed above, as at June 30, 2018, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO.

OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEMES

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

A. Pre-IPO Share Option Scheme

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

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

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Number of share options							
					Outstanding as at January 1, 2018	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at June 30, 2018		
Directors of the Company or its subsidiaries												
Wang Ye	January 15, 2008	December 31, 2010 – January 15, 2018 January 15, 2011 – January 15, 2018 December 31, 2011 – January 15, 2018 December 31, 2012 – January 15, 2018 December 31, 2013 – January 15, 2018	December 31, 2010 – January 15, 2018	0.01	846,727	-	-	6	846,721	-		
	December 31, 2009	December 31, 2010 – December 31, 2019 December 31, 2011 – December 31, 2019 December 31, 2012 – December 31, 2019 December 31, 2013 – December 31, 2019 December 31, 2014 – December 31, 2019	December 31, 2010 – December 31, 2019	0.026	5,344,130	-	-	-	2,031,520	3,312,610		

OTHER INFORMATION (CONTINUED)

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Number of share options						
				Exercise Price per Share (US\$)	Outstanding as at January 1, 2018	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at June 30, 2018
	July 15, 2010	July 15, 2011 – July 31, 2019 July 15, 2012 – July 31, 2019 July 15, 2013 – July 31, 2019 July 15, 2014 – July 31, 2019	July 15, 2011 – July 31, 2019	0.103	12,968,480	-	-	-	12,968,480	-
	May 22, 2012	December 31, 2012 – July 31, 2020 December 31, 2013 – July 31, 2020 December 31, 2014 – July 31, 2020	December 31, 2012 – July 31, 2020	0.103	34,008,093	-	-	-	-	34,008,093
	March 20, 2014	December 31, 2014 – July 31, 2025 December 31, 2015 – July 31, 2025 December 31, 2016 – July 31, 2025	December 31, 2014 – July 31, 2025	0.062	68,016,194	-	-	-	-	68,016,194
Meng Jiange	February 20, 2010	April 1, 2011 – December 31, 2020 April 1, 2012 – December 31, 2020 April 1, 2013 – December 31, 2020 April 1, 2014 – December 31, 2020 April 1, 2015 – December 31, 2020	April 1, 2011 – December 31, 2020	0.077	1,195,320	-	-	-	-	1,195,320

OTHER INFORMATION (CONTINUED)

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Number of share options					
					Outstanding as at January 1, 2018	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at June 30, 2018
	May 1, 2013	May 1, 2016 – December 31, 2020 May 1, 2017 – December 31, 2020 May 1, 2018 – December 31, 2020 May 1, 2019 – December 31, 2020 May 1, 2020 – December 31, 2020	May 1, 2016 – December 31, 2020	0.103	1,943,320	-	-	-	-	1,943,320
	January 30, 2015	January 30, 2016 – July 31, 2025 January 30, 2017 – July 31, 2025 January 30, 2018 – July 31, 2025 January 30, 2019 – July 31, 2025 January 30, 2020 – July 31, 2025	January 30, 2016 – July 31, 2025	0.077	1,943,320	-	-	-	-	1,943,320
Wang Luquan	February 10, 2012	February 10, 2013 – July 31, 2019 February 10, 2014 – July 31, 2019	February 10, 2013 – July 31, 2019	0.103	3,886,640	-	-	-	670,000	3,216,640

OTHER INFORMATION (CONTINUED)

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Number of share options							
					Outstanding as at January 1, 2018	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at June 30, 2018		
Senior management of the Group												
Zhu Li	January 27, 2010	March 1, 2011 – July 31, 2019 March 1, 2012 – July 31, 2019 March 1, 2013 – July 31, 2019 March 1, 2014 – July 31, 2019 March 1, 2015 – July 31, 2019	March 1, 2011 – July 31, 2019	0.077	1,554,656	-	-	-	300,000	1,254,656		
	March 28, 2014	December 31, 2014 – December 31, 2020 December 31, 2015 – December 31, 2020 December 31, 2016 – December 31, 2020 December 31, 2017 – December 31, 2020 December 31, 2018 – December 31, 2020	December 31, 2014 – December 31, 2020	0.077	1,943,320	-	-	-	-	1,943,320		
Chou Chuan – Chu	October 1, 2012	October 1, 2016 – July 31, 2025 October 1, 2017 – July 31, 2025 October 1, 2018 – July 31, 2025 October 1, 2019 – July 31, 2025 October 1, 2020 – July 31, 2025	October 1, 2016 – July 31, 2025	0.103	1,671,255	-	-	-	330,364	1,340,891		
	March 28, 2015	December 31, 2015 – December 31, 2020 December 31, 2016 – December 31, 2020 December 31, 2017 – December 31, 2020 December 31, 2018 – December 31, 2020	December 31, 2015 – December 31, 2020	0.077	485,830	-	-	-	242,915	242,915		

OTHER INFORMATION (CONTINUED)

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Number of share options					
					Outstanding as at January 1, 2018	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at June 30, 2018
Chen Zhiqiang	August 10, 2009	August 10, 2009 – December 31, 2019	August 10, 2009 – December 31, 2019	0.003	1,612,259	-	-	-	380,000	1,232,259
	March 28, 2014	December 31, 2014 – December 31, 2020 December 31, 2015 – December 31, 2020 December 31, 2016 – December 31, 2020 December 31, 2017 – December 31, 2020 December 31, 2018 – December 31, 2020	December 31, 2014 – December 31, 2020	0.077	831,320	-	-	-	-	831,320
Zhang Chifa	March 28, 2014	December 31, 2014 – December 31, 2020 December 31, 2015 – December 31, 2020 December 31, 2016 – December 31, 2020 December 31, 2017 – December 31, 2020 December 31, 2018 – December 31, 2020	December 31, 2014 – December 31, 2020	0.077	1,943,320	-	-	-	-	1,943,320
Other employees										
	October 17, 2005 – March 28, 2015	June 12, 2007 – December 31, 2025	June 12, 2007 – December 31, 2025	0.003–0.103	78,666,961	-	-	145,749	7,149,762	71,371,450
					<u>218,861,145</u>	<u>-</u>	<u>-</u>	<u>145,755</u>	<u>24,919,762</u>	<u>193,795,628</u>

Notes:

- (1) The weighted average closing price immediately before the dates on which the options were exercised was HK\$26.92.
- (2) For further details of the Pre-IPO Share Option Scheme, please refer to Appendix V “Statutory and General Information” of the Prospectus and note 18 to the financial statements in this Interim Report.

OTHER INFORMATION (CONTINUED)

B. Post-IPO Share Option Scheme

The Company approved and adopted the Post-IPO Share Option Scheme by written resolutions of its then sole shareholder on December 7, 2015. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules. Options to subscribe for 83,208,137 shares had been granted (of which 2,600,000 options had lapsed) under the Post-IPO Share Option Scheme from the date of its adoption to June 30, 2018.

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

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (HK\$)	Closing Price Per Share immediately before the date of grant (HK\$)	Number of share options					Outstanding as at June 30, 2018
						Outstanding as at January 1, 2018	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	
Senior management of the Group											
Zhu Li	October 11, 2017	December 31, 2019 – October 10, 2027	December 31, 2019 – October 10, 2027	8.330	8.07	1,000,000	-	-	-	-	1,000,000
Other employees											
	June 22, 2016	June 22, 2016 – June 21, 2026	June 22, 2016 – June 21, 2026	1.204	1.21	8,478,137	-	-	-	-	8,478,137
	September 23, 2016	September 23, 2017 – September 22, 2026	September 23, 2017 – September 22, 2026	2.406	2.30	11,700,000	-	-	-	80,000	11,620,000
	April 25, 2017	April 25, 2019 – April 24, 2027	April 25, 2019 – April 24, 2027	3.512	3.45	26,150,000	-	-	600,000	-	25,550,000
	October 11, 2017	July 25, 2019 – October 10, 2027	July 25, 2019 – October 10, 2027	8.330	8.07	10,650,000	-	-	-	-	10,650,000
	November 20, 2017	December 31, 2019 – November 19, 2027	December 31, 2019 – November 19, 2027	9.350	8.91	9,280,000	-	-	-	-	9,280,000
	May 4, 2018	January 1, 2019 to May 3, 2028	January 1, 2019 to May 3, 2028	26.46	26.65	-	13,950,000	-	-	-	13,950,000
						67,258,137	13,950,000	-	600,000	80,000	80,528,137

Notes:

- (1) The weighted average closing price immediately before the dates on which the options were exercised was HK\$21.15.
- (2) For further details of the Post-IPO Share Option Scheme, please refer to Appendix V “Statutory and General Information” of the Prospectus and note 18 to the financial statements in this Interim Report.

OTHER INFORMATION (CONTINUED)

C. Subsidiary Share Option Scheme

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

Options to subscribe for 8,100,000 shares of Legend Cayman had been granted (of which 1,500,000 options had lapsed) under the Subsidiary Share Option Scheme from the date of its adoption to June 30, 2018.

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

Category/Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (US\$)	Number of share options							
					Outstanding as at January 1, 2018	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at June 30, 2018		
Senior management of the Group												
Chou Chuan-Chu	December 26, 2017	December 31, 2019 – December 25, 2027	December 31, 2019 – December 25, 2027	0.50	500,000	-	-	500,000	-	-		
Other employees												
	December 26, 2017	December 31, 2019 – December 25, 2027	December 31, 2019 – December 25, 2027	0.50	7,600,000	-	-	1,000,000	-	6,600,000		
					<u>8,100,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>6,600,000</u>		

Apart from the movements as stated above, no options were granted, exercised, lapsed or cancelled under the Subsidiary Share Option Scheme during the Reporting Period ended June 30, 2018.

OTHER INFORMATION (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2018.

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.

On 13 September 2018, the Company had a total of 1,834,830,111 Shares in issue. The Company repurchased a total of 154,000 Shares on the Hong Kong Stock Exchange. Such repurchased Shares were subsequently cancelled, and the total number of Shares in issue was reduced accordingly. Please refer to the relevant announcements of the Company for details.

Details of the repurchases are summarized as follows:

Date of the repurchase	Total number of Shares	Repurchased price per Share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
13 September 2018	154,000	14.50	14.46	2,232,000

OTHER INFORMATION (CONTINUED)

TOP-UP PLACING

On June 7, 2018, the Company, Genscript Corporation, one of the controlling shareholders of the Company (the “**Vendor**”), and J.P. Morgan Securities (Asia Pacific) Limited and Goldman Sachs (Asia) L.L.C. (the “**Placing Agents**”) completed a placing of the Vendor’s 75,000,000 ordinary shares in the Company by the Placing Agents on a fully underwritten basis to not less than six placees at the price of HK\$26.50 per share (the “**Vendor Placing**”) pursuant to a placing and subscription agreement dated June 5, 2018 (the “**Placing and Subscription Agreement**”). On June 13, 2018, the Vendor completed the subscription of an aggregate of 75,000,000 shares of the Company at the price of HK\$26.50 per share pursuant to the Placing and Subscription Agreement (the “**Subscription**”, together with the Vendor Placing, the “**Top-Up Placing**”). The net proceeds, after deducting commissions, fees and expenses payable to the Placing Agents and other incidental expense, is HK\$1,971,702,660.50 (equivalent to approximately US\$251.3 million). A detailed breakdown and description of the use of the net proceeds from the Top-Up Placing is set forth as follows:

Item	Amount expected to be utilized <i>US\$ million</i>	Utilized amount during the Reporting Period <i>US\$ million</i>	Unutilized amount as at June 30, 2018 <i>US\$ million</i>	Intended year of application
Building up CAR-T R&D and production facility in China, the US and Europe	125.0	–	125.0	2018 to 2020
Global team building for the Group’s talent program and CAR-T therapies, including regulatory, R&D, production and commercialization	25.0	–	25.0	2018 to 2020
Building up the GMP manufactory facilities for plasmid and biologics products	75.0	–	75.0	2018 to 2020
General working capital purpose	26.3	–	26.3	2018 to 2020
Total	<u>251.3</u>	<u>–</u>	<u>251.3</u>	

Please refer to the announcements dated June 4, 2018, June 5, 2018, June 8, 2018, June 13, 2018 and June 14, 2018 for details of the Top-Up Placing.

On June 7, 2018, Ms. Wang Ye 王燁, an executive director, the president and one of the controlling shareholders of the Company (“**Ms. Wang**”), and the Placing Agents completed a placing of Ms. Wang’s 15,000,000 ordinary shares in the Company by the Placing Agents on a fully underwritten basis to not less than six placees at the price of HK\$26.50 per share pursuant to a placing agreement dated June 5, 2018 (the “**Wang Placing**”). Please refer to the announcements dated June 4, 2018, June 5, 2018, June 8, 2018, June 13, 2018 and June 14, 2018 for details of the Wang Placing.

OTHER INFORMATION (CONTINUED)

MODEL CODE FOR SECURITIES TRANSACTIONS OF THE DIRECTORS

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

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

CORPORATE GOVERNANCE

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

The Company has been in compliance with the code provisions of the CG Code throughout the six months ended June 30, 2018, except for the deviation of code provision A.2.1.

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Yet, Dr. Zhang Fangliang 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.

OTHER INFORMATION (CONTINUED)

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, 2018.

SANCTIONS RISK CONTROL COMMITTEE

During the Reporting Period to the date of this report, the sanctions risk control committee of the Company (the “**Sanctions Risk Control Committee**”) held three meetings on March 15, 2018, July 5, 2018 and August 23, 2018 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:

Mr. Huang Zuie-Chin resigned as a non-executive director of the Company with effect from January 5, 2018 in order to devote more time to his other work commitments. Please refer to the announcement dated January 5, 2018 for details.

Ms. Zhang Min was appointed as the independent director of Onesmart Education Group Ltd. since March 2018.

INDEPENDENT REVIEW REPORT

30 June 2018



Ernst & Young
22/F, CITIC Tower
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Central, Hong Kong

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Independent review report
To the board of directors of Genscript Biotech Corporation
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 72, which comprises the condensed consolidated statement of financial position of Genscript Biotech Corporation (the “Company”) and its subsidiaries as at 30 June 2018 and the related condensed consolidated statements of profit or loss and statements of other comprehensive income, changes in equity and cash flows for the six-month then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong
27 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	<i>Notes</i>	2018 US\$'000 (Unaudited)	2017 US\$'000 (Unaudited)
REVENUE	4	112,221	63,386
Cost of sales		<u>(30,855)</u>	<u>(20,452)</u>
Gross profit		81,366	42,934
Other income and gains	4	4,386	2,458
Selling and distribution expenses		(18,990)	(10,251)
Administrative expenses		(19,185)	(9,379)
Research and development expenses		(27,868)	(4,784)
Other expenses		(95)	(2,854)
Financial costs		<u>(14)</u>	<u>–</u>
PROFIT BEFORE TAX	5	19,600	18,124
Income tax expense	6	<u>(1,954)</u>	<u>(3,007)</u>
PROFIT FOR THE PERIOD		<u>17,646</u>	<u>15,117</u>
Attributable to:			
Owners of the parent		15,519	14,980
Non-controlling interests		<u>2,127</u>	<u>137</u>
		<u>17,646</u>	<u>15,117</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	<u>US0.89 cents</u>	<u>US0.88 cents</u>
Diluted		<u>US0.85 cents</u>	<u>US0.86 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	2018 US\$'000 (Unaudited)	2017 US\$'000 (Unaudited)
PROFIT FOR THE PERIOD	<u>17,646</u>	<u>15,117</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(3,861)</u>	<u>4,788</u>
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	<u>(3,861)</u>	<u>4,788</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(3,861)</u>	<u>4,788</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>13,785</u>	<u>19,905</u>
Attributable to:		
Owners of the parent	<u>12,000</u>	<u>19,630</u>
Non-controlling interests	<u>1,785</u>	<u>275</u>
	<u>13,785</u>	<u>19,905</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited) Restated
NON-CURRENT ASSETS			
Property, plant and equipment	9	119,285	80,508
Advance payments for property, plant and equipment		5,115	2,460
Non-current financial assets	13	1,148	1,136
Prepaid land lease payments		9,950	10,189
Goodwill	19	21,525	1,470
Other intangible assets		8,264	2,467
Deferred tax assets		11,006	7,525
Investments in associates		588	614
Advance payments for investments in associates		1,285	–
		<hr/> 178,166	<hr/> 106,369
Total non-current assets			
CURRENT ASSETS			
Inventories	10	8,072	6,878
Trade and notes receivables	11	34,549	255,351
Prepayments, deposits and other receivables	12	14,236	8,329
Other current financial assets	13	24,937	3,088
Short-term deposits	14	185,105	392
Cash and cash equivalents	14	452,607	123,857
		<hr/> 719,506	<hr/> 397,895
Total current assets			
CURRENT LIABILITIES			
Trade and notes payables	15	8,912	8,154
Other payables and accruals	16	59,367	42,773
Tax payable		18,307	13,377
Interest-bearing loans and borrowings		605	–
Contract liabilities		41,251	47,183
Government grants		101	90
		<hr/> 128,543	<hr/> 111,577
Total current liabilities			
NET CURRENT ASSETS		<hr/> 590,963	<hr/> 286,318
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 769,129	<hr/> 392,687

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited) Restated
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,000	342
Contract liabilities		258,466	160,039
Government grants		4,219	2,887
		264,685	163,268
Total non-current liabilities		264,685	163,268
Net assets		504,444	229,419
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	1,834	1,734
Reserves		485,917	217,008
		487,751	218,742
Non-controlling interests		16,693	10,677
		16,693	10,677
Total equity		504,444	229,419

Zhang Fangliang
Director

Wang Ye
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Share capital	Share premium*	Merger reserve*	Share option reserves*	Statutory surplus earnings*	Retained earnings*	Exchange fluctuation reserve*			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(note 17)			(note 18)						
At 1 January 2018 (restated) (Note 2)	1,734	120,770	(20,883)	10,936	11,536	94,161	488	218,742	10,677	229,419
Profit for the period	-	-	-	-	-	15,519	-	15,519	2,127	17,646
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(3,519)	(3,519)	(342)	(3,861)
Total comprehensive income for the period	-	-	-	-	-	15,519	(3,519)	12,000	1,785	13,785
Purchases of minority interest of the subsidiary	-	(297)	-	-	-	-	-	(297)	4,231	3,934
Acquisition of equity by minority shareholders	-	399	-	-	-	-	-	399	-	399
Equity-settled share option arrangements	-	-	-	3,571	-	-	-	3,571	-	3,571
Exercise of share options	25	2,551	-	(533)	-	-	-	2,043	-	2,043
Issue of shares under the share placing option	75	251,218	-	-	-	-	-	251,293	-	251,293
At 30 June 2018 (unaudited)	<u>1,834</u>	<u>374,641</u>	<u>(20,883)</u>	<u>13,974</u>	<u>11,536</u>	<u>109,680</u>	<u>(3,031)</u>	<u>487,751</u>	<u>16,693</u>	<u>504,444</u>

* These reserve accounts comprise the consolidated reserves of US\$485,917,000 (For the year ended 31 December 2017: US\$217,008,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

	Attributable to owners of the parent									
	Share capital <i>US\$'000</i> <i>(note 17)</i>	Share premium* <i>US\$'000</i>	Merger reserve* <i>US\$'000</i>	Share option reserves* <i>US\$'000</i> <i>(note 18)</i>	Statutory surplus earnings* <i>US\$'000</i>	Retained earnings* <i>US\$'000</i>	Exchange fluctuation reserve* <i>US\$'000</i>	Total <i>US\$'000</i>	Non- controlling interests <i>US\$'000</i>	Total equity <i>US\$'000</i>
At 1 January 2017	1,692	118,051	(20,883)	9,469	9,247	72,029	(11,992)	177,613	6,408	184,021
Profit for the period	-	-	-	-	-	14,980	-	14,980	137	15,117
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	-	4,650	4,650	138	4,788
Total comprehensive income for the period	-	-	-	-	-	14,980	4,650	19,630	275	19,905
Equity-settled share option arrangements	-	-	-	992	-	-	-	992	-	992
Exercise of share options	23	2,392	-	(735)	-	-	-	1,680	-	1,680
Dividend distribution	-	-	-	-	-	(2,633)	-	(2,633)	-	(2,633)
Transfer from retained profits	-	-	-	-	203	(203)	-	-	-	-
At 30 June 2017 (unaudited)	<u>1,715</u>	<u>120,443</u>	<u>(20,883)</u>	<u>9,726</u>	<u>9,450</u>	<u>84,173</u>	<u>(7,342)</u>	<u>197,282</u>	<u>6,683</u>	<u>203,965</u>

* These reserve accounts comprise the consolidated reserves of US\$195,567,000 (For the year ended 31 December 2016: US\$175,921,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	<i>Notes</i>	2018 US\$'000 (Unaudited)	2017 US\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		19,600	18,124
Adjustments for reconcile profit before tax to net cash flows:			
Provision/(Reversal of) provided for impairment of trade receivables	11	340	(170)
Write-down of inventories to net realisable value	10	181	95
Depreciation of property, plant and equipment		4,847	2,849
Amortisation of other intangible assets		834	178
Amortisation of prepaid land lease payment		110	96
Loss on disposal of items of property, plant and equipment	9	11	30
Interest income	4	(3,060)	(300)
Investment income	4	(95)	(33)
Share of profits and losses of associates		26	–
Financial cost		14	–
Equity-settled share option expense		3,571	992
		26,379	21,861
Decrease/(Increase) in trade and notes receivables		220,682	(3,438)
Increase in prepayments, deposits and other receivables		(3,278)	(1,935)
Increase in inventories		(1,358)	(1,425)
(Decrease)/Increase in government grants		(275)	95
Increase in trade and notes payables		733	111
Increase/(Decrease) in other payables, accruals and contract liabilities		117,317	(4,498)
Receipts in pledged short-term deposits		(4,713)	–
Cash generated from operations		355,487	10,771
Interest received		1,399	211
Income tax paid		(862)	(2,635)
Net cash flows from operating activities		356,024	8,347

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June

	<i>Notes</i>	2018 US\$'000 (Unaudited)	2017 <i>US\$'000</i> (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of other current assets		(21,849)	(1,181)
Purchases of property, plant and equipment		(54,971)	(12,947)
Purchases of land lease		-	(2,257)
Proceeds from disposal of items of property, plant and equipment		-	2
Purchases of intangible assets		(457)	-
Receipt of government grants		1,653	-
Purchases of investments in a subsidiary		(25,454)	(528)
Receipt of investment income		95	33
Purchases of minority interest of the subsidiary by capital injection		877	-
Prepayment of investment in associate		(1,285)	-
Purchases of minority interest of the subsidiary		-	(373)
		<hr/> (101,391)	<hr/> (17,251)
Net cash flows used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of equity by minority shareholders		399	-
Issue of shares under the share placing option		251,293	-
Exercise of share options		2,043	1,680
Proceeds from borrowings		605	-
Dividend distribution		-	(2,633)
Payment of interest of bank loans		(14)	-
		<hr/> 254,326	<hr/> (953)
Net cash flows from/(used in) financing activities			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(209)	4,142
Cash and cash equivalents at beginning of period	14	123,857	136,464
		<hr/> 632,607	<hr/> 130,749
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		290,404	80,534
Non-pledged time deposits with original maturity of less than three months when acquired		342,203	50,215
		<hr/> 632,607	<hr/> 130,749
Cash and cash equivalents as stated in the statement of financial position			
		<hr/> 632,607	<hr/> 130,749
Cash and cash equivalents as stated in the statement of cash flows			
		<hr/> 632,607	<hr/> 130,749

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

1. CORPORATE INFORMATION

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

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

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

Information about subsidiaries

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

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Genscript (Hong Kong) Limited (“GS HK”)	Hong Kong 8 January 2009	HK\$155,000	–	100	Sale of life sciences research products and services
Nanjing Jinsirui Biotechnology Co., Ltd. (“Nanjing Jinsirui”)	China 12 March 2009	US\$88,020,000	–	100	Manufacturing and sale of life sciences research products and services
Genscript USA Incorporated (“GS USA”)	United States of America 26 March 2009	US\$1,000	100	–	Manufacturing and sale of life sciences research products and services
Jinsikang Technology (Nanjing) Co., Ltd. (“Nanjing Jinsikang”)	China 30 April 2009	RMB132,550,600	–	100	Manufacturing and sale of life sciences research products and services

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

1. CORPORATE INFORMATION (CONTINUED)

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Genscript Japan Inc.	Japan 7 July 2011	JPY 8,300,000	–	100	Sale of life sciences research products and services
Nanjing Bestzyme Bioengineering Co., Ltd.	China 6 June 2013	US\$30,178,743	–	92.59	Manufacturing and sale of life sciences research products and services
Nanjing Legend Biotechnology Co., Ltd.	China 17 November 2014	US\$2,500,000	–	100	Manufacturing and sale of life sciences research products and services
Shanghai Jingrui Biotechnology Co., Ltd.	China 6 March 2015	RMB5,000,000	–	100	Manufacturing and sale of life sciences research products and services
Jinan Bestzyme Biological Co., Ltd. (“Jinan Bestzyme”)	China 19 August 2009	RMB24,648,000	–	57.26	Manufacturing and sale of life sciences research products and services
Jiangsu Genscript Biotech Co., Ltd	China 31 August 2016	RMB22,000,000	–	100	Manufacturing and sale of life sciences research products and services
Legend Biotech USA Incorporated	United States of America 31 August 2017	–	–	84.84	Manufacturing and sale of life sciences research products and services
Legend Biotech Ireland Limited	Ireland 30 November 2017	–	–	100	Manufacturing and sale of life sciences research products and services

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

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

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the International Accounting Standards Board.

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 31 December 2017.

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 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with <i>HKFRS 4 Insurance Contracts</i>
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from <i>Contracts with Customers</i>
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and <i>Advance Consideration</i>
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

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

2.2 New standards, interpretations and amendments adopted by the group (continued)

The Group applies, for the first time, HKFRS 15 Revenue from Contracts with Customers that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of this change are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The effect of adopting HKFRS 15 is, as follows:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

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

2.2 New standards, interpretations and amendments adopted by the group (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2017:

	Adjustments
	<i>\$'000</i>
Liabilities	
Contract liabilities (current)	1,930
Tax payable	(830)
	<hr/>
Total current liabilities	1,100
	<hr/> <hr/>
Equity	
Retained earnings	(933)
Non-controlling interests	(167)
	<hr/>
Total equity	(1,100)
	<hr/> <hr/>
Revenue from contracts with customers	1,930
Income tax expense	(830)
	<hr/>
Profit for the period	1,100
	<hr/> <hr/>
Attributable to:	
Equity holders of the parent	933
Non-controlling interests	167
There is no material impact on the statement of cash flows. The impact on basic and diluted EPS is, as follows:	
Basic, profit for the period attributable to ordinary equity holders of the parent	\$0.001
Diluted, profit for the period attributable to ordinary equity holders of the parent	\$0.001

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

3. OPERATING SEGMENT INFORMATION

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

- (a) Bio-science services and products combines the three previous segments, namely, life sciences research services, life sciences research catalogue products, and preclinical drug development services. Under the life sciences research services sub-segment, it provides comprehensive research services in six key categories, namely, gene synthesis, oligonucleotide synthesis, DNA sequencing, protein production, peptide synthesis, and antibody development. Under the life sciences research catalog products sub-segment, it provides pre-packaged, ready-to-use, and off-the-shelf products. Under the preclinical drug development services sub-segment, it provides integrated contract research services in two key categories, namely, antibody and protein engineering;
- (b) Cell therapy was initially generated from the company's proprietary antibody development platform. It discovers and develops the innovative therapies for the treatment of liquid tumor through optimized CAR structures and the development of bispecific CAR-T therapies;
- (c) Industrial synthetic biology products, comprising the construction of non-pathogenic microbial strains and industrial enzyme development and production.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2018 (Unaudited)

	Bio-science services and products <i>US\$'000</i>	Cell therapy <i>US\$'000</i>	Industrial synthetic biology products <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue				
External customers	74,633	30,417	7,171	112,221
Segment results	50,008	30,356	1,002	81,366
Other income and gains				4,386
Selling and distribution expenses				(18,990)
Administrative expenses				(19,185)
Research and development expenses				(27,868)
Other expenses				(95)
Finance costs				(14)
Profit before tax				19,600

Six months ended 30 June 2017 (Unaudited)

	Bio-science services and products <i>US\$'000</i>	Cell therapy <i>US\$'000</i>	Industrial synthetic biology products <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue				
External customers	58,717	-	4,669	63,386
Segment results	41,418	-	1,516	42,934
Other income and gains				2,458
Selling and distribution expenses				(10,251)
Administrative expenses				(9,379)
Research and development expenses				(4,784)
Other expenses				(2,854)
Profit before tax				18,124

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographic information

(a) Revenue from external customers

	For the six months ended 30 June	
	2018 <i>US\$'000</i> (Unaudited)	2017 <i>US\$'000</i> (Unaudited)
United States of America	51,055	33,961
Europe	28,484	10,004
China	22,122	11,998
Asia Pacific (excluding China and Japan)	6,899	3,081
Japan	2,881	2,599
Others (including other North American countries, South America and Africa)	780	1,743
Total	112,221	63,386

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

(b) Non-current assets

	30 June 2018 <i>US\$'000</i> (Unaudited)	31 December 2017 <i>US\$'000</i> (Audited)
China	122,564	96,742
Other countries	43,448	966
Total	166,012	97,708

The non-current asset information above is based on the locations of assets and excludes non-current financial assets and deferred tax assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue of approximately US\$30,417,000 (for the six months ended 30 June 2017: Nil) was derived from license and collaboration revenue by the immunotherapy treatment technology segment to a single customer, Janssen.

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 30 June	
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Revenue		
Rendering of services	70,007	55,264
Sale of goods	11,797	8,122
License and collaboration revenue	30,417	–
	112,221	63,386
Other income and gains		
Bank interest income	3,060	300
Government grants	1,210	2,119
Investment income	95	33
Others	21	6
	4,386	2,458

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018 <i>US\$'000</i> (Unaudited)	2017 <i>US\$'000</i> (Unaudited)
Cost of inventories sold	1,557	1,288
Cost of services provided	13,256	8,648
Depreciation of items of property plant and equipment	4,847	2,849
Amortisation of other intangible assets*	834	178
Amortisation of prepaid land lease payments	110	96
Provision/(Reversal of) provided for impairment of trade receivables	340	(170)
Minimum lease payments under operating leases:		
– Land and buildings	1,428	774
Auditors' remuneration	91	89
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	33,583	21,274
Pension scheme contributions (defined contribution schemes)	3,914	2,053
Equity-settled share option expense	3,453	931
	40,950	24,258
Loss on disposal of items of property, plant and equipment	11	30
Foreign exchange losses	54	2,784
Write-down of inventories to net realisable value	181	95

* The amortisation 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

6. INCOME TAX

Pursuant to the rules and regulations of Cayman and BVI, the Group is not subject to any income tax in Cayman and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the reporting period.

The subsidiary of the Group operating in Japan was subject to income tax at a rate ranging from 15% to 25.5% depending on its earnings during the reporting period.

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

The subsidiary of the Group operating in the United States of America was subject to federal tax at a rate of 21% and state tax at a rate of 8% during the reporting period.

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

Nanjing Jinsirui and Nanjing Jinsikang are qualified as High and New Technology Enterprise and Advanced Technology Service Enterprises ; Nanjing Bestzyme and Jinan Bestzyme are qualified as High and New Technology Enterprises; all of them were subject to income tax at a preferential tax rate of 15% for the reporting period.

	For the six months ended 30 June	
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current income tax expense	5,646	3,302
Deferred income tax expense	(3,692)	(295)
Total tax charge for the period	1,954	3,007

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

7. DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2018 (for the six months ended June 30, 2017: Nil).

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 1,749,774,884 (for the six months ended 30 June 2017: 1,702,366,087) in issue during the reporting period, as adjusted to reflect the rights issue during the reporting period.

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

	For the six months ended 30 June	
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	15,519	14,980
	1,749,774,884	1,702,366,087
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,749,774,884	1,702,366,087
Effect of dilution – weighted average number of ordinary shares:		
Share options	72,156,138	33,202,638
	1,821,931,022	1,735,568,725

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a cost of US\$45,286,000 (for the six months ended 30 June 2017: US\$16,238,000).

Assets with a net book value of US\$11,000 were disposed of by the Group during the six months ended 30 June 2018 (for the six months ended 30 June 2017: US\$32,000), resulting in a net loss on disposal of US\$11,000 (for the six months ended 30 June 2017: US\$30,000).

See Note 21 for capital commitments.

10. INVENTORIES

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Raw materials	3,365	3,109
Work in progress	1,579	1,756
Finished goods	4,465	3,169
	9,409	8,034
Less: Provision for inventories	(1,337)	(1,156)
	8,072	6,878

Inventory provision of US\$181,000 was recognised for the six months ended 30 June 2018 (for the six months ended 30 June 2017: US\$95,000). Inventory provision has been included in “cost of sales” in the condensed consolidated statement of profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

11. TRADE AND NOTES RECEIVABLES

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Trade receivables	34,294	255,156
Notes receivable	2,205	1,806
	<hr style="border: 1px solid black;"/>	<hr style="border: 1px solid black;"/>
	36,499	256,962
Less: Provision for impairment of trade receivables	(1,950)	(1,611)
	<hr style="border: 1px solid black;"/>	<hr style="border: 1px solid black;"/>
	34,549	255,351
	<hr style="border: 3px double black;"/>	<hr style="border: 3px double black;"/>

The Group's trading terms with its customers are mainly on credit. The credit period is 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Movements in the provision for impairment of trade receivables were as follows:

	Total US\$'000
At 1 January 2018	1,611
Impairment losses recognised	340
Amount write-off as uncollectible	(1)
	<hr style="border: 1px solid black;"/>
At 30 June 2018	1,950
	<hr style="border: 3px double black;"/>
At 1 January 2017	1,065
Impairment losses recognised	634
Amount write-off as uncollectible	(88)
	<hr style="border: 1px solid black;"/>
At 31 December 2017	1,611
	<hr style="border: 3px double black;"/>

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

11. TRADE AND NOTES RECEIVABLES (CONTINUED)

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

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Within 3 months	28,130	250,841
3 months to 6 months	967	2,100
6 months to 12 months	3,332	610
Over one year	1,865	1,605
	34,294	255,156

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Neither past due nor impaired	18,753	243,061
Less than 3 months past due	10,021	9,180
Over 3 months but within one year past due	3,570	1,304
	32,344	253,545

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The notes receivable were due within six months. No notes receivable were discounted or endorsed as at 30 June 2018 and 31 December 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Prepayments	4,754	3,122
VAT recoverable (i)	5,621	3,399
Interest receivable	1,661	–
Prepaid expenses	886	322
Advance to employees	674	633
Other receivables	666	878
	14,262	8,354
Less: Impairment of other receivables	(26)	(25)
	14,236	8,329

- (i) The Group's domestic sales of goods and rendering of services are subject to China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is mainly the net difference between output and deductible input VAT.

Movements in the provision for impairment of other receivables were as follows:

	Individually impaired US\$'000
At 1 January 2018	25
Increased impairment of other receivables	1
At 30 June 2018	26
At 1 January 2017	25
Acquisition of a subsidiary	–
Impairment losses reversed	–
At 31 December 2017	25

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of the prepayments, deposits and other receivables that are not considered to be impaired is as follows:

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Neither past due nor impaired	14,236	8,329

13. FINANCIAL ASSETS

Set out below, is an overview of financial assets, other than cash and short-term deposits, held by the Group as at 30 June 2018 and 31 December 2017:

	For the six months ended 30 June	
	2018 US\$'000 (Unaudited)	2017 US\$'000 (Audited)
Equity instruments at fair value through OCI		
Unlisted equity investments	1,148	1,136
Financial assets at fair value through profit or loss		
Financing products	24,937	3,088
	26,085	4,224
Total current	24,937	3,088
Total non-current	1,148	1,136

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

14. CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM DEPOSITS

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Cash and bank balances	452,607	123,857
Short-term deposits	185,105	392
	637,712	124,249
Less: Pledged short-term deposits for letters of credit	(462)	(202)
Pledged short term deposits for notes payables	(4,643)	(190)
Cash and cash equivalents	632,607	123,857
Denominated in USD	593,357	103,387
Denominated in RMB	30,440	15,534
Denominated in HKD	959	1,072
Denominated in EUR	4,543	2,318
Denominated in GBP	1,742	1,043
Denominated in JPY	1,566	503
Cash and cash equivalents	632,607	123,857

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US\$30,440,000 (31 December 2017: US\$15,534,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits amounted to US\$5,105,000 are pledged for letters of credit and notes payables as of 30 June 2018. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

15. TRADE AND NOTES PAYABLES

As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade payables based on the invoice date, is as follows:

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Within 3 months	8,503	7,539
3 months to 6 months	78	122
6 months to 12 months	14	105
Over 1 year	317	388
	8,912	8,154

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

16. OTHER PAYABLES AND ACCRUALS

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Payables for purchases of machinery and construction of buildings	22,734	14,615
Accrued payroll	12,160	9,746
Accrued expenses	10,830	3,120
Advances from customers	8,433	9,188
Other payables	4,223	4,641
Taxes payable other than corporate income tax	987	1,463
	59,367	42,773

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

17. SHARE CAPITAL AND SHARE PREMIUM

Shares

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Authorised:	8,503	7,539
Ordinary shares (of US\$0.001 each)	<u>5,000</u>	<u>5,000</u>
Issued and fully paid:		
Ordinary shares (of US\$0.001 each)	<u>1,834</u>	<u>1,734</u>

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 1 January 2018	1,733,606,187	1,734	120,770	122,504
Purchases of minority interest of the subsidiary	–	–	(297)	(297)
Acquisition of equity by minority shareholders	–	–	399	399
Issue of shares under the share placing option	75,000,000	75	251,218	251,293
Share options exercised (note 18)	<u>24,999,762</u>	<u>25</u>	<u>2,551</u>	<u>2,576</u>
At 30 June 2018 (unaudited)	<u>1,833,605,949</u>	<u>1,834</u>	<u>374,641</u>	<u>376,475</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

18. SHARE OPTION SCHEME

(a) The Company

On 4 May 2018, under the Company's Post-IPO share option scheme adopted on 7 December 2015, 13,950,000 share options to subscribe for an aggregate of 13,950,000 ordinary shares of US\$0.001 each of the Company were granted to 41 employees with vesting date from 10 January 2020 to 4 May 2026 and exercise price of HK\$26.460. The expiration date of the option granted is 10 years after the grant date.

The following share options were outstanding during the period:

	For the six months ended 30 June			
	2018		2017	
	Weighted average exercise price US\$ per share	Number of options '000	Weighted average exercise price US\$ per share	Number of options '000
At 1 January	0.1996	286,119	0.0883	282,861
Granted during the period	3.3710	13,950	0.4514	27,550
Forfeited during the period	0.3779	(745)	0.0886	(875)
Exercised during the period	0.0827	(25,000)	0.0762	(22,820)
At 30 June	<u>0.3707</u>	<u>274,324</u>	<u>0.1011</u>	<u>286,716</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

18. SHARE OPTION SCHEME (CONTINUED)

(a) The Company (continued)

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

30 June 2018		
Number of options exercisable '000	Exercise price* US\$ per share	Exercise period
1,232	0.0026	2008/05/12–2019/12/31
86	0.0046	2009/07/03–2019/07/31
121	0.0072	2008/09/26–2019/07/31
757	0.0103	2011/12/31–2018/01/15
145	0.0139	2012/08/01–2019/07/31
404	0.0154	2013/12/31–2019/12/20
373	0.0206	2012/12/31–2018/10/08
2,556	0.0257	2012/12/31–2019/12/31
194	0.0515	2013/08/10–2025/07/31
68,016	0.0617	2014/12/31–2025/07/31
54,766	0.0772	2010/12/31–2025/07/31
42,122	0.1029	2013/02/10–2025/07/31
117	0.1552	2016/06/22–2026/06/21
320	0.3102	2017/09/23–2026/09/22
171,209		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

18. SHARE OPTION SCHEME (CONTINUED)

(a) The Company (continued)

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

At the end of reporting period, the Company had 274,323,765 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 274,323,765 additional ordinary shares of the Company, an additional share capital of approximately US\$274,324 and a share premium of approximately US\$274,049,000 (before issue expenses).

(b) The Legend

On 1 January 2018, under the Company's Legend share option scheme adopted on 21 December 2017, 8,100,000 share options to subscribe for an aggregate of 8,100,000 ordinary shares of US\$0.001 each of the Company were granted to 44 employees with vesting date from 31 December 2019 to 31 December 2023 and exercise price of US\$0.500. The expiration date of the option granted is 10 years after the grant date.

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

The following share options were outstanding during the period:

	For the six months ended 30 June			
	2018		2017	
	Weighted average exercise price US\$ per share	Number of options '000	Weighted average exercise price US\$ per share	Number of options '000
At 1 January	-	-	-	-
Granted during the period	0.500	8,100	-	-
Forfeited during the period	0.500	(1,500)	-	-
Exercised during the period	-	-	-	-
At 30 June	0.500	6,600	-	-

There was no exercisable share options outstanding as at the end of the reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

18. SHARE OPTION SCHEME (CONTINUED)

(b) The Legend (continued)

The fair value of the share options granted during the period was US\$1,686,420 (US\$0.500 each) (2017: Nil), of which the Group recognized a share option expense of US\$198,000 (2017: Nil) during the six months ended 30 June 2018.

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

	30 June 2018	31 December 2017
Dividend yield (%)	–	–
Expected volatility (%)	66.2	–
Risk-free interest rate (%)	2.48	–
Expected life of options (year)	10	–
Weighted average share price (US\$ per share)	0.500	–

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

At the end of reporting period, the Legend had 6,600,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 6,600,000 additional ordinary shares of the Legend, an additional share capital of approximately US\$6,600 and a share premium of approximately US\$6,593,400 (before issue expenses).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

19. BUSINESS COMBINATION

On 11 January 2018, the Group acquired 100% of the voting shares of CustomArray, Inc (“CustomArray”), an unlisted company based in the State of Washington of United States of America that specializes in including targeted sequencing. The Group has acquired CustomArray because it is a provider of oligo pools to many of the world’s leading academic and industrial organizations for applications including targeted sequencing, complex DNA libraries, synthetic biology, shRNA libraries, and CRISPR. The consideration for the acquisition was in the form of cash, with US\$25,749,000.

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

	Fair value recognized on acquisition <i>US\$'000</i>
Property, plant and equipment	100
Other intangible assets – patents	6,244
Deferred tax assets	114
Inventories	17
Trade and notes receivables	220
Prepayments, deposits and other receivables	968
Cash and cash equivalents	295
Trade payables	(24)
Other payables and accruals	(454)
Deferred tax liabilities	(1,805)
	5,675
Total identifiable net assets at fair value	5,675
Goodwill arising on acquisition	20,074
	20,074
Satisfied by cash	(25,749)
	(25,749)

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

	<i>US\$'000</i>
Cash consideration of the acquisition	(25,749)
Cash and bank balances acquired	295
	295
Net cash inflow on acquisition (included in cash flows from investing activities)	25,454
	25,454

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

19. BUSINESS COMBINATION (CONTINUED)

Goodwill

Fair value
US\$'000

Gross carrying amount	100
At 1 January 2018	1,470
Acquisition of a subsidiary	20,074
Exchange realignment	(19)
	<hr/>
At 30 June 2018	<u>21,525</u>

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

20. OPERATING LEASE COMMITMENTS

The Group leases certain of its production and office properties under operating lease arrangements. Leases for properties are negotiated for terms of one to seven years. At 30 June 2018 and 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Within one year	1,622	1,359
In the second to fifth years, inclusive	3,345	2,146
After five years	-	28
	<hr/> 4,967 <hr/>	<hr/> 3,533 <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

21. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	31,096	32,615

22. RELATED PARTY TRANSACTIONS

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

Company	Relationship
Chongyang Jinrui Rabbit Breeding Limited ("Jinrui Rabbit")	An entity controlled by an immediate family of the controlling shareholder
Anhui Tianda Precision Biotechnology Co., Ltd ("Tianda Precision")	Associate
Hunan Gomeet Biotechnology Co., Ltd. ("Gomeet")	Associate

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	For the six months ended 30 June	
		2018 US\$'000 (Unaudited)	2017 US\$'000 (Unaudited)
Purchases of raw materials from Jinrui Rabbit	(i)	-	1
Purchases of raw materials from Tianda Precision	(i)	4	-
Purchases of patent from Tianda Precision	(i)	304	-
Sales of products to Gomeet	(i)	46	-

Notes:

- (i) The prices are mutually agreed after taking into account the prevailing market prices.

(b) Outstanding balances with related parties:

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

(i) Due to a related party

	2018 US\$'000	2017 US\$'000
Tianda Precision	-	107

(ii) Due from related parties

	2018 US\$'000	2017 US\$'000
Tianda Precision	1,791	545
Gomeet	152	141
	<u>1,943</u>	<u>686</u>

The balances are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2018 <i>US\$'000</i> (Unaudited)	2017 <i>US\$'000</i> (Audited)
Short-term employee benefits	783	868
Pension scheme contributions	45	14
Equity-settled share option expense	118	61
Total compensation paid to key management personnel	946	943

23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below, is an overview of financial assets, other than cash and short-term deposits, held by the Group as at 30 June 2018 and 31 December 2017:

	30 June 2018 <i>US\$'000</i> (Unaudited)	31 December 2017 <i>US\$'000</i> (Audited)
Debt instruments at amortised cost:		
Trade and notes receivables	34,549	255,351
Financial assets included in prepayments, deposits and other receivables	640	853
Equity instruments at fair value through OCI		
Unlisted equity investments	1,148	1,136
Financial assets at fair value through profit or loss		
Financing products	24,937	3,088
	61,274	260,428
Total current	60,126	259,292
Total non-current	1,148	1,136

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2018

23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Set out below is an overview of financial liabilities held by the Group as at 30 June 2018 and 31 December 2017:

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Debt instruments at amortised cost:		
Trade and other payables	8,912	8,154
Financial liabilities included in accrued, liabilities and other payables	37,787	22,086
Bank loan	400	–
	47,099	30,240
Total current	47,099	30,240

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized by the board of directors on 27 August 2018.