金斯瑞生物科技股份有限公司*

GENSCRIPT BIOTECH CORPORATION

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

Make People and Nature Healthier
through **Biotechnology**

*For identification purpose only

GenScript

Genscript Biotech Corporation (the “Company” or “GenScript”, together with its subsidiaries referred to as the “Group”) is a well-recognised biotechnology company. The Company’s mission is to “Make People and Nature Healthier through Biotechnology”.

The Group is a company that applies its proprietary technology to various fields from basic and translational research to translational biologics drug development and manufacturing, industrial synthetic products, and cell therapeutic solutions. Leveraging in the Group’s proprietary gene synthesis and other technology and know-hows, the Group has established four major platforms including (i) a leading life-science services and products platform to provide one-stop solutions to global research communities; (ii) a contract development and manufacturing organization (“CDMO”) platform; (iii) an industrial synthetic products platform; and (iv) an integrated global cell therapy platform. The life-science services and products platform remains as the strong and stable revenue generating foundation for the entire corporate. The CDMO platform provides end-to-end biologics discovery and development services to pharmaceutical, biotech, government and academic customers worldwide. The industrial synthetic products platform develops products for food and feed processing and other industrial uses. The cell therapy platform provides cell therapy solutions to patients with refractory diseases including cancer and inflammatory diseases.

With a strong sales and marketing team and strong research and development capabilities, the Company continues to sustain strong growth in all business segments.

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Corporate Profile

Genscript Biotech Corporation (the "Company" or "GenScript", together with its subsidiaries, the "Group") is a well-recognised biotechnology company. Based on our proprietary gene synthesis technology and the other technology and know-hows on life-science research and application, we have four well established major platforms including (i) a leading life-science services and products platform to provide one-stop solutions to global research communities, (ii) a biologics contract development and manufacturing organization (the "CDMO") platform, (iii) an industrial synthetic products platform, and (iv) an integrated global cell therapy platform. The above four internally built platforms have demonstrated their strong growth from research and development to commercial delivery for year ended December 31, 2020 (the "Year" and the "Reporting Period") respectively.

The Group has been inspired by the mission "Make People and Nature Healthier through Biotechnology" since it was founded 18 years ago. Our clients' business need is the Group's first priority and the ultimate cornerstone for pursuing its long term development. We have been improving our clients' competitiveness through providing our superior quality, fast-delivery and cost-effective services and products. Internally, we focus on streamlining our operational workflows and procedures with the aim to strive for the highest quality of end-to-end delivery. Externally, we actively promote the value of strategic collaboration with business partners with the vision to build up a healthy biotech eco-system. We would like to contribute more of our efforts to speed up the evolution of the whole biotech and biopharma industry, to realize multi-win among all the participating partners in this industry.

Our main business comprises four segments, namely, (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy. During the Reporting Period, we had generated approximately US$246.5 million, US$39.7 million, US$28.6 million, and US$75.7 million from our four segments, representing approximately 63.1%, 10.1%, 7.3%, and 19.4% of our total external revenue, respectively. With a strong sales and marketing team and strong research and development capabilities, the Company maintains a stable and sustainable growth.

The Group's business operations span over 100 countries worldwide with our legal entities located in the United States (the "U.S."), Mainland China, Hong Kong, Japan, Singapore, Netherlands and Ireland. Our professional workforce has increased to approximately 4,601 headcounts as at December 31, 2020.

The life-science services and products segment is the strong and stable revenue generating foundation for the Group. We have maintained the position as one of the world's largest molecular biology contract research companies. We offer services and products covering gene synthesis, oligo nucleotide synthesis, peptide synthesis, protein production, antibody development, and convenient and high-put-through equipment and consumables. We have active and healthy interaction with the global life-science research community. Our services and products have been cited in over 52,500 international peer reviewed journal articles as at December 31, 2020.

The biologics development services segment (CDMO platform) provides end-to-end gene and cell therapy development and biologics discovery and development services to pharmaceutical, biotech, government and academic customers worldwide. The team focused on expending the Good Manufacturing Practice ("GMP") capabilities during the Year. GMP facilities have been under construction according to our strategic plan with phase by phase delivery of the discovery, development, and medium to large scale of manufacturing capacity to meet demands from our customers.

Legend Biotech Corporation ("Legend") is the clinical stage biopharmaceutical subsidiary of the Group that specifically engages in the discovery and development of novel cell therapies for oncology and other indications. Our lead product candidate, ciltacabtagene autoleucel (cilta-cel; JNJ-4528/LCAR-B38M), is a chimeric antigen receptor T-cell ("CAR-T") therapy that Legend is jointly developing with Janssen Biotech, Inc. ("Janssen"), for the treatment of multiple myeloma ("MM"). Our clinical results achieved to date demonstrate that cilta-cel has the potential to deliver deep and durable antitumor responses in relapsed and refractory multiple myeloma ("RRMM") patients with a manageable safety profile. The China Center for Drug Evaluation, National Medical Products Administration granted Breakthrough Therapy Designation for cilta-cel in August 2020. The rolling submission of a Biologics License Application to the U.S. Food and Drug Administration ("FDA") for cilta-cel has been initiated in December 2020 and completed in the quarter ended March 31, 2021. Our new pipeline CAR-T programs have been under active development, and the FDA cleared Legend's Investigational New Drug application for LB1901 in relapsed or refractory T-cell Lymphoma in December 2020. Please refer to previous announcements of the Company dated August 6, 2020, December 14, 2020 and December 21, 2020 for details. Legend was listed on Nasdaq Global Select Market on June 5, 2020.

Bestzyme Biotech Corporation ("Bestzyme") is a subsidiary of the Group engaged in the synthetic biology fields. Bestzyme uses our advanced enzyme engineering technology to develop products for feed processing and food additives markets. Our long-term goals are: (i) to improve the quality of people's daily lives, (ii) to address environmental problems, and (iii) to use enzymes in various industry sectors at a large scale to improve the performance and to reduce costs. We believe synthetic biology offers us new opportunities from both technical and commercial perspectives.

As of December 31, 2020, our customers include pharmaceutical and biotech companies, colleges and universities, research institutes, government bodies (including government testing and diagnostic centres), and distributors. For the year ended December 31, 2020, our sales to such categories of customers generated approximately 75.6%, 11.5%, 3.6%, 4.1% and 5.2% of our total revenue, respectively.

We have established an extensive direct sales network, reaching over 100 countries in North America, Europe, the People's Republic of China ("PRC"), Japan, and the other Asia Pacific regions. We primarily sell our life-science research and application services and products through our own direct sales force to our customers worldwide, while we also sell our services and products through independent third-party distributors to expand our market presence and facilitate communication with end users. For the year ended December 31, 2020, we have generated approximately US$218.9 million, US$98.4 million, US$34.3 million, US$31.8 million, and US$7.4 million from our sales to customers in the U.S., Mainland China, Europe, Asia Pacific (excluding the Mainland China), and others, representing approximately 56.0%, 25.2%, 8.8%, 8.1%, and 1.9% of our total external revenue, respectively.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Meng Jiange *(Chairman) (Appointed as chairman of the Board with effect from November 22, 2020)*
Ms. Wang Ye *(President)*
Dr. Zhu Li *(Chief Strategy Officer) (Appointed as an executive Director with effect from November 22, 2020)*

Non-Executive Directors

Dr. Zhang Fangliang *(Resigned from the position of chief executive officer and re-designated from executive Director to non-executive Director with effect from August 2, 2020, and resigned from chairman of the Board and non-executive Director with effect from November 22, 2020)*
Dr. Wang Luquan
Mr. Pan Yuexin
Ms. Wang Jiafen

Independent Non-Executive Directors

Mr. Guo Hongxin
Mr. Dai Zumian
Mr. Pan Jiuan
Dr. Wang Xuehai *(Appointed as an independent non-executive Director with effect from November 22, 2020)*

AUDIT COMMITTEE

Mr. Dai Zumian *(Chairman)*
Mr. Pan Jiuan
Mr. Guo Hongxin

REMUNERATION COMMITTEE

Mr. Guo Hongxin *(Chairman)*
Ms. Wang Ye
Mr. Dai Zumian

NOMINATION COMMITTEE

Mr. Meng Jiange *(Chairman) (Appointed as chairman and member of the nomination committee with effect from November 22, 2020)*
Dr. Zhang Fangliang *(Resigned from the position of chairman and member of the nomination committee with effect from November 22, 2020)*
Mr. Pan Jiuan
Mr. Dai Zumian

SANCTIONS RISK CONTROL COMMITTEE

Ms. Wang Ye *(Chairwoman) (Appointed as chairwoman of the sanctions risk control committee with effect from November 22, 2020)*
Dr. Zhang Fangliang *(Resigned from the position of chairman and member of the sanctions risk control committee with effect from November 22, 2020)*
Mr. Meng Jiange
Dr. Eric Wang
Mr. Shawn Wu

COMPANY SECRETARY

Ms. Wong Wai Ling

AUTHORIZED REPRESENTATIVES

Mr. Meng Jiange
Dr. Zhu Li *(Appointed as an authorized representative with effect from November 22, 2020)*
Dr. Zhang Fangliang *(Ceased to be an authorized representative with effect from November 22, 2020)*

HONG KONG LEGAL ADVISERS

Jones Day
31/F Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower 1
Tim Mei Avenue
Central
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

4th Floor, Harbour Place
103 South Church Street, George Town
P.O. Box 10240, Grand Cayman KY1-1002
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 28, Yongxi Road
Jiangning Science Park
Nanjing Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street,
George Town
P.O. Box 10240, Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
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.genscriptprobio.com
www.legendbiotech.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 year ended December 31, 2020 was approximately US$390.8 million, representing an increase of 42.9% as compared with approximately US$273.4 million for the year ended December 31, 2019, among which, the external revenue for non-cell therapy business was approximately US$315.1 million, representing an increase of 45.9% as compared with approximately US$216.0 million for the year ended December 31, 2019, and the external revenue for cell therapy business was approximately US$75.7 million, representing an increase of 31.9% as compared with approximately US$57.4 million for the year ended December 31, 2019.

- Gross profit of the Group for the year ended December 31, 2020 was approximately US$255.9 million, representing an increase of 41.9% as compared with approximately US$180.3 million recorded for the year ended December 31, 2019, among which, the gross profit of non-cell therapy business was approximately US$180.2 million, representing an increase of 46.6% as compared with approximately US$122.9 million for the year ended December 31, 2019, and the gross profit of cell therapy business was approximately US$75.7 million, representing an increase of 31.9% as compared with approximately US$57.4 million for the year ended December 31, 2019.

- Loss of the Group for the year ended December 31, 2020 was approximately US$281.4 million, whilst loss was approximately US$117.5 million for the year ended December 31, 2019, among which, the profit of non-cell therapy business was approximately US$22.1 million, representing an increase of 42.6% as compared with approximately US$15.5 million for the year ended December 31, 2019, and the loss of cell therapy business was approximately US$303.5 million, whilst the loss of cell therapy business was approximately US$133.0 million for the year ended December 31, 2019.

  The adjusted net loss of the Group was approximately US$168.9 million, whilst the adjusted net loss of approximately US$110.3 million was recorded for the year ended December 31, 2019, among which, the adjusted net profit of non-cell therapy business was approximately US$44.4 million, representing an increase of 105.6% as compared with approximately US$21.6 million for the year ended December 31, 2019, and the adjusted net loss of cell therapy business was approximately US$213.3 million, whilst the adjusted net loss of cell therapy business was approximately US$131.9 million for the year ended December 31, 2019.

  The adjusted net profit/(loss) in the Group's business excludes: (i) share-based payment expenses, (ii) exchange differences, (iii) consultation expenses for the Investigation (as defined in the announcement of the Company dated September 21, 2020), (iv) impairment loss on goodwill, other intangible assets and long-term investments, (v) fair value loss of convertible redeemable Series A Preference Shares (as defined in the announcement of the Company dated March 31, 2020) by Legend, (vi) service fee for the issuance of Legend Series A Preference Shares, and (vii) spin-off expenses relating to the separate listing of Legend.

During the Reporting Period, the Group invested significantly into research and development activities as well as talent recruitment, both of which are key drivers for a sustainable business growth in the long run. For the year ended December 31, 2020, the Group's research and development expense was approximately US$263.4 million, representing an increase of 41.6% as compared with approximately US$186.0 million for the year ended December 31, 2019, in which the total investment in research and development was approximately US$232.2 million on cell therapy for the year ended December 31, 2020, representing an increase of 43.4% as compared with approximately US$161.9 million for the year ended December 31, 2019.

- Loss attributable to owners of the Company for the year ended December 31, 2020 was approximately US$204.9 million, whilst loss attributable to owners of the Company was approximately US$96.9 million for the year ended December 31, 2019.

Notes:

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	For the year ended December 31, 2020		
	Non-cell therapy US$'000	Cell therapy US$'000	Total US$'000
Net profit/(loss)	22,054	(303,477)	(281,423)
Excluding: Share-based payment expenses, net of tax	10,904	4,760	15,664
Exchange differences, net of tax	6,526	(66)	6,460
Consultation expenses for the Investigation, net of tax	1,086	—	1,086
Impairment loss on goodwill, other intangible assets and long-term investments, net of tax	3,806	—	3,806
Fair value loss of convertible redeemable preferred shares	—	79,984	79,984
Service fee for the issuance of Legend Series A Preference Shares	—	4,014	4,014
Spin-off expenses relating to the separate listing of Legend	24	1,439	1,463
Adjusted net profit/(loss)	44,400	(213,346)	(168,946)

2 *The figures for segment results in this report are prior to intra-group eliminations (except otherwise indicated), whereas the figures for segment results in the annual report for the year ended December 31, 2019 of the Company dated April 24, 2020 (the "Previous Report") were after intra-group eliminations representing sales to external customers only (expected otherwise indicated). Certain comparable figures that were presented in the Previous Report have been adjusted in this report to conform to the current period's presentation accordingly.*

Five-Year Financial Summary

	For the year ended December 31,				
	2016	2017	2018	2019	**2020**
			US$'000		
Operation Results					
Revenue	114,735	152,649	231,017	273,354	**390,846**
Gross profit	76,229	104,591	158,539	180,290	**255,893**
Profit/(Loss) after income tax	26,535	27,005	20,759	(117,516)	**(281,423)**
Profit/(Loss) attributable to owners of the Company	26,170	26,123	21,216	(96,912)	**(204,945)**
Non-controlling interest	365	882	(457)	(20,604)	**(76,478)**
Basic earnings/(loss) per share *(US$)*	0.0157	0.0152	0.0118	(0.0523)	**(0.1078)**
Diluted earnings/(loss) per share *(US$)*	0.0153	0.0151	0.0115	(0.0523)	**(0.1078)**
Assets					
Non-current assets	62,123	106,369	237,513	335,365	**454,232**
Current assets	163,909	397,895	679,463	554,046	**993,174**
Current liabilities	39,215	272,716	153,515	224,505	**327,911**
Net current assets	124,694	125,179	525,948	329,541	**665,263**
Non-current liabilities	2,796	3,229	270,162	292,608	**303,904**
Net assets	184,021	228,319	493,299	372,298	**815,591**
Cash and cash equivalents	136,464	123,857	494,558	252,397	**629,058**
Inventories turnover days *(day)*	35	49	55	65	**72**
Trade receivables turnover days *(day)*	61	66	71	77	**67**
Trade payables turnover days *(day)*	35	47	48	47	**47**

Chairman's Statement

Dear fellow shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the results of the Group for the year ended December 31, 2020 (the "Year" and the "Reporting Period").

2020 was certainly a tumultuous year in many fronts. We have experienced many external and internal challenges yet I am proud to see we finished the year with great achievements.

The COVID-19 pandemic has created difficulties globally for many industries and threatened many people's health and wellbeing. In addition to that, the geopolitical tension between the U.S. and China has also caused confusions and operational difficulties, particularly for companies that are heavily reliant on international trade and cross-border idea exchange and collaboration such as ours.

However, the pandemic also brought new opportunities. Public and private sectors investors are now paying more attention than ever to innovations in healthcare and biopharma industry. More resources are flowing into research efforts on disease diagnostics and treatments as well as life-science services and products. The industry is also speeding up the development cycle for new in vitro diagnostics ("IVD") products and precision medicine. All of these are having a positive effect on our business.

In 2020, we have also experienced the investigation by Zhenjiang customs anti-smuggling bureau. While the investigation is still ongoing as of now, we took swift actions to protect our shareholders' best interest by electing new members to the Board as well as appointing new executives to GenScript's management team to ensure our normal operations are not disrupted. New members of the board of directors of Legend and new executives of Legend's management team have been appointed as well.

As you will see in this annual report, we delivered excellent growth in the Year. Our non-cell therapy business generated US$315.1 million in external revenue, representing 45.9% of growth year over year. Adjusted net profit from our non-cell therapy business grew 105.6% to reach US$44.4 million. Our cell therapy business, Legend, continued to generate robust clinical results. We reported in December 2020 that Legend's lead cell therapy candidate, cilta-cel, has shown to have an overall response rate (ORR) of 97% and a stringent complete response rate (sCR) of 67% in the phase 1b/2 trial on heavily pretreated 4th line and above multiple myeloma patients conducted in the U.S. together with our partner Janssen. Legend and Janssen have initiated rolling submission for BLA to the FDA for cilta-cel last December as well. In the quarter ended March 31, 2021, Janssen Biotech Inc., our collaborator, completed the rolling submission of the Biologics License Application (BLA) to the FDA for cilta-cel, an investigational B-cell maturation antigen (BCMA)-directed chimeric antigen receptor T-cell (CAR-T) therapy for the treatment of patients with relapsed and/or refractory multiple myeloma. The rolling submission was initiated in December 2020. We are targeting the FDA approval for cilta-cel in the second half of 2021.

A STRONG TEAM

One of the key factors that helped the Company survive and thrive over the past two decades and particularly in the past year was our strong and fully committed team.

Our overseas employees overcame all the difficulties brought by the pandemic to continue to serve our customers. When third party delivery services became unreliable, our sales team leaders drove hundreds of miles to personally delivery much needed research reagents to biotech companies to ensure our customers' projects are not delayed. Team members at our cell therapy subsidiary, Legend, also made sure that our collaboration with Janssen remained on track and produced wonderful results from our clinical trials in the U.S..

Our team in China was equally impressive. Our employees did not panic or lose focus while facing the severe challenges as mentioned above. Many team members sacrificed their holidays and vacation time to make sure the business operation stayed normal while cooperating with the authorities to facilitate the investigation. In fact, the vast majority of our talented team chose to stay with the company during this difficult time.

This amazing display of loyalty to our customers and our organization is deeply rooted in the belief that we are engaging in a noble endeavor — making people and nature healthier through biotechnology.

We have always taken great care to build our company culture. Integrity and retrospection are the two most important moral characters we look for when hiring for any new position. We also promote these values through regularly scheduled training courses for promising leadership candidates. Most importantly, our senior leadership team practices these values in our daily operations.

ON COMPLIANCE

GenScript turned 18 years old last August. While celebrating our past achievement, we also reminded ourselves that it's critical to always remain vigilant and comply with laws and regulations in all aspects of our business operations, if we were to grow sustainably in the long term. Life-science research field is fast evolving and increasingly complex, therefore we're encouraged to see that the growing recognition of the importance of bio-safety among all governments and the timely emergence of a series of laws and regulations that have been put into place during the Year.

Based upon the current regulatory framework, we undertook a comprehensive review covering every single aspect of our operations with the help of outside professional teams in order to identify and address all potential compliance risks within our organization. We are also providing trainings to all employees on compliance topics to increase the awareness throughout the organization. In the short term, we envision this effort to result in some one time professional service expenses and facility upgrade investments that could have a negative impact on our 2021 reported profit. Nevertheless, we believe this is absolutely necessary for the long term sustainability of this business. Eventually being able to comply with as higher regulatory standards and stricter enforcement in our industry will even become a source of our competitive moat.

FOCUS ON THE CORE

During the Year, we have successfully spun out Legend Biotech Corporation as a separately listed company on Nasdaq Global Select Market. This opens a new chapter for Legend to continue its journey to become a leading biopharma company in the world under its own management team and board of directors. Having a world-class product and a world-class team, Legend's future is brighter than ever. In turn, GenScript as the parent company will benefit from Legend's success in the future.

Spinning out Legend also gives us an opportunity to re-examine GenScript's core business performance. Admittedly, Legend's success in the past few years has largely overshadowed the rest of our business and commanded the vast majority of management team and investors' attention. However, Legend's business model as a biotech is inherently high risk. It demands heavy upfront investment into uncertain clinical research before it can generate any revenue, let alone profit from product sales. Oftentimes, investment into Legend unavoidably requires a leap of faith.

Our non-cell therapy business is largely services and products driven with a proven track record and a large and growing customer base. Despite having achieved significant revenue growth in the past few years, our profitability in this part of our business, particularly in 2018 and 2019, has not kept up with our peers or our own historical levels. This was partially due to mix change in our portfolio — our CDMO business is still in the investment phase and its revenue is representing a larger portion of our total non-cell therapy business. But more importantly, we have not been focusing on improving efficiency or generating reliable returns on our investment.

Optimizing this business means listening to our customers closely, increasing our competitiveness through process and technology improvement, expanding and pruning our portfolio with an eye towards improving return on investment, as well as controlling unnecessary back office spending. Although these blocking and tackling measures may not seem "sexy" compared to new drug development, risk adjusted, they can produce equally great and long lasting value for our shareholders. I certainly see many low hanging fruits in this area.

With that said, we did generate great returns for our shareholders in the past by selectively betting on high-risk, high-reward projects such as CAR-T. Our life-science research business also gives us the opportunity to closely follow the latest development in science and technology. It is reasonable for us to continue to invest in research and development to translate our service capabilities into diagnostics and therapeutics related products. If successful, such investment will be able to reward our shareholders in an explosive way. Obviously, investing a portion of our near term profit for such purpose is highly desirable and continues to be a cornerstone of our long-term development strategy.

Over the past 18 years, we have witnessed the Company to grow from a start-up created by three founders with limited capital and a limited business focus into a multinational company with close to 5,000 highly talented team members offering a comprehensive product and service portfolio addressing many important aspects of pharma customers' needs. Growing industry demand, abundant supply of highly educated scientists and researchers, a highly motivated team that is willing to work extra hard to create value for our shareholders — we believe all the important factors that have contributed to our success in the past are still present, or even stronger.

Therefore, I am honored and humbled to take on the Chairman of the Board position at GenScript to work together with each and every team member to continue our quest towards becoming a great company on the global stage.

I'd like to take this opportunity to express my sincere gratitude to our employees, shareholders, potential investors and other stakeholders. Thank you for your continued support in last year and the years to come!

Sincerely yours,
Meng Jiange
Chairman and Executive Director

March 26, 2021

POSITIONING OF THE COMPANY

The Group is a well-recognised biotechnology company. Based on our proprietary gene synthesis technology and the other technology and know-hows on life-science research and application, we have well established four major platforms including (i) a leading life-science services and products platform to provide one-stop solutions to global research communities, (ii) a biologics contract development and manufacturing organization (the "CDMO") platform, (iii) an industrial synthetic products platform, and (iv) an integrated global cell therapy platform. The above four internally built platforms have demonstrated their strong growth from research and development to commercial delivery for year ended December 31, 2020 (the "Year" and the "Reporting Period").

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During the Reporting Period, all non-cell therapy business units have achieved external sales growth. The Group invested significantly in talent recruitment and research and development to improve our technical competitiveness. We are very confident that our persistent investments into technology and management reforms and streamlining will pay off and enable us to achieve a better future ultimately.

BUSINESS REVIEW

During the Reporting Period, the overall revenue of the Group was approximately US$390.8 million, representing an increase of 42.9% as compared with approximately US$273.4 million for the year ended December 31, 2019. Gross profit was approximately US$255.9 million, representing an increase of 41.9% as compared with approximately US$180.3 million for the year ended December 31, 2019. The increase in revenue was primarily attributable to (i) the strong growth in business of specially-functioned protein and antibody which meet market demands on key products related to the novel coronavirus (COVID-19), (ii) the continuing increase from life-science services and products from major strategic customers and new competitive services and products, (iii) the increase of contract revenue derived from Legend's collaboration with Janssen with new milestone achieved, and (iv) the increase in both the number of customers and their purchase volume of industrial synthetic biology products. The increase in gross profit was mainly attributable to strong growth in life-science services and products and industrial synthetic biology products. There was no significant change to the gross profit margin ratio.

During the Reporting Period, the loss of the Group was approximately US$281.4 million, whilst loss was approximately US$117.5 million for the year ended December 31, 2019. The adjusted net loss of the Group was approximately US$168.9 million, whilst adjusted net loss was approximately US$110.3 million for the year ended December 31, 2019.

The loss attributable to owners of the Company was approximately US$204.9 million, whilst loss attributable to owners of the Company was approximately US$96.9 million for the year ended December 31, 2019. The adjusted net loss attributable to owners of the Company was approximately US$107.8 million, whilst adjusted net loss attributable to owners of the Company was approximately US$89.9 million for the year ended December 31, 2019.

During the Reporting Period, the external revenue of (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, (iv) cell therapy, and (v) operation unit accounted for approximately 63.1%, 10.1%, 7.3%, 19.4%, and 0.1%, respectively, of the total revenue of the Group.

Results Analysis of the Four Business Segments

1. Life-science services and products

This segment provides comprehensive life-science research services and products in seven key categories, namely, gene synthesis and molecular cloning, oligonucleotide synthesis, protein engineering, peptide synthesis, antibody development, molecular diagnostics tools and genome editing materials. These services and products are essential to a wide range of life-science research and application areas, including basic biology studies, pharmaceutical and drug discovery, disease diagnostics and vaccine, agriculture, environmental studies, and the food industry. The newly established COVID-19 related in vitro diagnostic ("IVD") business is also included in this segment.

Results

During the Reporting Period, revenue generated from life-science services and products was approximately US$249.8 million, representing an increase of 44.4% as compared with approximately US$173.0 million for the year ended December 31, 2019. During the same period, the gross profit was approximately US$165.4 million, representing an increase of 46.6% as compared with approximately US$112.8 million for the year ended December 31, 2019. During the Reporting Period, the operating profit of life-science services and products was approximately US$82.4 million.

The increase in both revenue and gross profit was primarily attributable to the (i) dramatically increased demands of life-science services and products caused by the outbreak of COVID-19 globally during the first half of 2020, (ii) expanded capacity and productivity in customized reagent service, and (iii) improvement of online commercial platform and tools to attract new customers. The operating profit increase was primarily attributable to the (i) significant revenue driven from COVID-19 related products and key customers, and (ii) continuous improvement of capacity utilization and operation efficiency.

Development strategies

The Company intends to (i) continuously provide high quality research service in life-science field including molecular biology, protein and antibody research, (ii) continuously build the capability and capacity to provide industrial grade level products and services in gene and cell therapy ("GCT") area and precision medicine, and (iii) enhance the global manufacturing capacity to support long term business growth.

2. Biologics development service

This segment provides comprehensive services in five key categories, namely, antibody drug discovery, antibody drug pre-clinical development, antibody drug clinical development, plasmid & virus pre-clinical development, and plasmid & virus clinical development. These services and associated products help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies and plasmid and viral vectors for gene or cell therapy products with an integrated platform from the very beginning of drug discovery stage to pre-clinical and clinical development stage.

Results

During the Reporting Period, revenue generated from biologics development services was approximately US$40.4 million, representing an increase of 78.0% as compared with approximately US$22.7 million for the year ended December 31, 2019. During the same period, the gross profit was approximately US$9.9 million, representing an increase of 65.0% as compared with approximately US$6.0 million for the year ended December 31, 2019. Total backlog for biologics development services increased by 91.7% from US$49.4 million from the year ended December 31, 2019 to US$94.7 million for the year ended December 31, 2020. During the Reporting Period, the operating loss of biologics development services was approximately US$7.6 million.

The increase in revenue was primarily attributable to the (i) enhancement of antibody drug discovery platforms, e.g. single B cell screening on the Beacon platform, hybridoma and anti-ID antibody for pharmacokinetics (PK) and anti-drug antibodies (ADA) study and antibody engineering, (ii) increase in pre-clinical and clinical development capacity and capability for both antibody drugs and viral vectors, (iii) improvement in lentivirus vector and other key viral vectors, and (iv) strengthening of the sales opportunity pipeline globally. The increase in gross profit was primarily attributed to the (i) improvement in material utilization and supply chain management, (ii) productivity gain from more experienced functional teams, and (iii) shortened pre-clinical process development timelines. The operating loss was primarily attributable to the (i) continued investment in the research and development, especially in new molecular entity ("NME") pipelines and process improvement initiatives, and (ii) increased depreciation and other start-up costs related to the GMP facility expansion.

Development strategies

The Company intends to (i) continue to enhance the antibody drug discovery platforms by developing and introducing advanced technologies, including but not limited to fully-human antibodies from transgenic animals, (ii) exploit the power of Bi-Specific Single Domain Antibody ("SMAB") platform and other multi-specific antibody and fusion protein platforms through collaboration with external biopharma or biotech companies, (iii) improve our capacity in viral vector production through in-house development and external collaborations, (iv) increase pre-clinical and clinical development capacity through the opening of new GMP facilities for antibody, plasmid and virus vectors, (v) penetrate markets in the U.S., Asia Pacific and Europe through in-house capability and external collaborations, (vi) continuously promote the brand name of "GenScript ProBio" to improve our track record, and (vii) enhance senior management and research and development teams with talents who have international biopharma background.

3. **Industrial synthetic biology products**

This segment leverages our technical experience in protein engineering and synthetic biology to construct production strains using GRAS (Generally Recognized as Safe) microorganism strains to produce high-quality industrial enzymes that can be used in a variety of industries, such as the food processing, feed, pharmaceutical, and chemical industries. Synthetic biology technology has also brought a series of innovative breakthroughs in producing synthetic fine chemical products for the pharmaceutical and other uses.

Results

During the Reporting Period, revenue for industrial synthetic biology products was approximately US$28.9 million, representing an increase of 24.0% as compared with approximately US$23.3 million for the year ended December 31, 2019. During the same period, the gross profit was approximately US$8.6 million, representing an increase of 59.3% as compared with US$5.4 million for the year ended December 31, 2019. Gross profit margin increased from 23.2% for the same period last year to 29.8% this year. During the Reporting Period, the operating loss of industrial synthetic biology products was approximately US$2.7 million.

The increase in both revenue and gross profit was primarily attributable to the (i) launch of innovative products in feed enzyme segment, (ii) increased penetration into big industrial customers by providing upgraded marketing strategy from a product seller to a solution provider, and (iii) cost reduction and quality improvement from optimizing production process. The operating loss was primarily attributable to the (i) significant investment in research and development activities, especially in labor costs led by the recruitment of highly-skilled persons, (ii) long customer trail period before the launch of new products, and (iii) increased cost of routine maintenance of new sewage treatment project to meet the environmental protection requirement.

Development strategies

The Company's vision is to become a leading enzyme and bio-synthetic product supplier by providing biological solution to our customers. The Company intends to (i) drive business growth and profit improvement through strain optimization and protein engineering, (ii) strengthen commercial capability to gain market share, (iii) provide animal health and nutrition solutions to support antibiotic reduction and replacement, and (iv) leverage our research and development competency to deliver more innovation in existing industries and targeted new business.

4. **Cell therapy**

This segment was initiated from GenScript's proprietary antibody development platform, and is primarily conducted through Legend Biotech Corporation and its subsidiaries (collectively, the "Legend Group"). With the strength in the optimization of CAR structures and the development of multi-specific antibodies, the Legend Group is engaged in the discovery and development of novel cell therapies for oncology and other indications, including with the application of its proprietary technologies for CAR-T, and allogenic cell therapies. Based on its fully-integrated and global cell therapy capabilities, the Legend Group is developing a variety of product candidates for the treatment of hematologic malignancies, solid tumor and infectious diseases, among which the B-cell maturation antigen ("BCMA") CAR-T program is the most mature one, for which the Legend Group has entered into a worldwide collaboration with Janssen to jointly develop and commercialize JNJ-4528/LCAR-B38M CAR-T cells, a structurally differentiated autologous CAR-T cell therapy that targets BCMA, in multiple myeloma. In the Year and the quarter ended March 31, 2021, cilta-cel was granted Breakthrough Therapy Designation by the China Center for Drug Evaluation, National Medical Products Administration, and completed a rolling submission of a Biologics License Application to the FDA.

Results

During the Reporting Period, revenue generated from cell therapy segment was approximately US$75.7 million, representing an increase of 31.9% as compared with approximately US$57.4 million for the year ended December 31, 2019. During the same period, gross profit was approximately US$75.7 million, representing an increase of 31.9% as compared with approximately US$57.4 million for the year ended December 31, 2019. During the Reporting Period, the operating loss of cell therapy was approximately US$307.6 million.

The increase in both revenue and gross profit was primarily attributable to additional milestone achieved in the Year and thus further recognition of contract revenue from the collaboration with Janssen on developing cilta-cel. The operating loss was primarily attributable to the (i) continuous investment in increased clinical trials, enrolling more patients and pipelines, (ii) expansion of Legend's supporting administrative functions, and (iii) growth in the cost for commercial preparation activities for cilta-cel.

Development strategies

- Legend's collaborator, Janssen, anticipates submitting a Marketing Authorization Application (MAA) for cilta-cel for the treatment of adults with RRMM to the European Medicines Agency (EMA) in the first half of 2021.
- Legend intends to use the data from the CARTIFAN-1 study in support of a regulatory submission to the China Center for Drug Evaluation (CDE) seeking approval of cilta-cel for the treatment of adults with RRMM. Legend expects the submission of the application to occur in the second half of 2021.
- Legend's collaborator, Janssen, anticipates submitting a New Drug Application (NDA) to the Japan Ministry of Health, Labor and Welfare (JMHLW) in the second half of 2021 seeking approval of cilta-cel for the treatment of adults with RRMM.
- Legend expects to initiate its Phase 1 clinical trial of LB1901 in relapsed or refractory T-cell Lymphoma (RR TCL) in the U.S. in 2021.
- Legend, in collaboration with Janssen, intends to present updated data from the CARTITUDE-1 and data from CARTITUDE-2 studies at major medical conferences in 2021.
- Legend anticipates supporting investigators with publishing a clinical data update from LEGEND-2 study in 2021.

As the global COVID-19 pandemic continues to evolve, the Group has continuously monitored the situation in regards to its operations and has put significant measures in place to protect supply chain, operations, employees and the execution of clinical trials. Given the dynamic global situation, the Group notes that certain clinical trial timelines may be impacted.

FINANCIAL REVIEW

	2020 US$'000	2019 US$'000	Change US$'000
Revenue	**390,846**	273,354	117,492
Gross profit	**255,893**	180,290	75,603
Loss after income tax	**(281,423)**	(117,516)	(163,907)
Adjusted net loss	**(168,946)**	(110,347)	(58,599)
Loss attributable to owners of the Company	**(204,945)**	(96,912)	(108,033)
Adjusted net loss attributable to owners of the Company	**(107,757)**	(89,898)	(17,859)
Loss per share (*US cent per share*)	**(10.78)**	(5.23)	(5.55)

Revenue

In 2020, the Group recorded revenue of approximately US$390.8 million, representing an increase of 42.9% from approximately US$273.4 million in 2019. This was primarily attributable to (i) the strong growth in business of specialty protein antigen and antibody which meet market demands on COVID-19 detection, (ii) the continuing increase from life-science services and products from strategic customers and new competitive services and products, (iii) the increase of contract revenue derived from Legend's collaboration with Janssen with new milestone achieved, and (iv) the increase in both the number of customers and their purchase volume of industrial synthetic biology products.

Gross Profit

In 2020, the Group's gross profit increased by 41.9% to approximately US$255.9 million from approximately US$180.3 million in 2019. The increase in gross profit was primarily attributable to the (i) strong growth in life-science and biologics development business and high gross margin products, especially for COVID-19, and (ii) significant improvement on capacity utilization of materials and labor efficiency in industrial synthetic biology products.

Selling and Distribution Expenses

The selling and distribution expenses increased by 52.4% to approximately US$107.3 million in 2020 from approximately US$70.4 million in 2019. This was mainly attributable to the (i) increased investment into the commercial talent pool by recruiting more experienced personnel and improving incentive packages, and (ii) increased expenses for the global expansion of our business.

Administrative Expenses

In 2020, the administrative expenses increased by 63.3% to approximately US$90.3 million from US$55.3 million in 2019. This was mainly caused by (i) competitive compensation package for our employees including shared-based payment provided to recruit experienced talents for all business segments, (ii) the reinforcement of some key administrative functions such as information technology, supply chain and finance to build up capable and professional administrative team to support the Group's overall business expansion, and (iii) the expansion of the European and Asia-Pacific divisions to accelerate the Group's global market penetration.

Research and Development Expenses

The research and development expenses increased by 41.6% to approximately US$263.4 million in 2020 from approximately US$186.0 million in 2019. This was mainly due to the (i) investment in COVID-19 related projects and other new challenging research and development projects, which significantly strengthened our competitiveness in the market and improved our production efficiency, (ii) increase in clinical trial expenses and preclinical study costs, especially in the cell therapy segment, and (iii) increase in compensation package including shared-based payment for research and development personnel.

Fair Value Changes of Convertible Redeemable Preferred Shares

Changes in the fair value of our convertible redeemable preference shares of Legend (the "Legend Series A Preference Shares") were recorded as fair value changes of convertible redeemable preferred shares. During the Reporting Period, the fair value changes of the Legend Series A Preference Shares recorded a loss of approximately US$80.0 million as compared with nil for the same period in 2019, primarily due to the revaluation of equity value of Legend based on its offering price. Upon the completion of the listing of Legend, all our Legend Series A Preference Shares were automatically converted into ordinary shares of Legend. The fair value of each of the Legend Series A Preference Shares is equivalent to the fair value of each of the ordinary shares of Legend on the conversion date, which is the public offering price. For details of the automatic conversion, please refer to the announcements of the Company dated March 31, 2020 and April 14, 2020.

Income Tax (Credit)/Expense

The income tax credit was approximately US$0.5 million in 2020 whilst the income tax expense was approximately US$3.8 million in 2019. The actual tax rate was 0.2% for the year ended December 31, 2020 (for the year ended December 31, 2019: 3.4% in credit). The decrease of tax expenses in 2020 was mainly caused by the tax refund applied under the tax preferences issued because of the outbreak of COVID-19.

Net Loss

During the Reporting Period, net loss of the Group was approximately US$281.4 million, whilst the net loss for the same period of 2019 was approximately US$117.5 million.

Trade Receivables

	2020	2019
Trade receivables turnover *(day)*	67	77

The decrease of trade receivables of the Group was mainly caused by the positive trade receivable collection strategy.

Inventories

	2020	2019
Inventory turnover *(day)*	72	65

The increase of inventory turnover of the Group was mainly caused by the increased stock of COVID-19 related raw materials and products due to the increasing market demands.

Contract Costs

The contract costs mainly include the costs to fulfil contracts under biologics development service. As at December 31, 2020, the Group's contract costs amounted to approximately US$5.8 million, representing an increased by 70.6% from approximately US$3.4 million as at December 31, 2019. The increase was primarily due to the business expansion of biologics development service.

Property, Plant, and Equipment

Property, plant and equipment include buildings, machinery equipment and construction in progress. As at December 31, 2020, the property, plant and equipment of the Group amounted to US$345.2 million, representing an increase of 46.3% from the property, plant and equipment of US$236.0 million as at December 31, 2019. This was mainly due to the construction of new factories and acquisition of equipment to support the increased scale of production, especially for biologics development service and cell therapy.

Goodwill

For the year ended December 31, 2020, due to the change of the Group's development strategy, an impairment of approximately US$1.3 million has been provided for the goodwill generated from the acquisition of a subsidiary which was completed in 2019.

Intangible Assets

Intangible assets include software, patents and licenses. As at December 31, 2020, the Group's net intangible assets amounted to approximately US$26.0 million, representing an increase of 2.0% from approximately US$25.5 million as at December 31, 2019. The increase in intangible assets was mainly due to the newly purchased license for gene sequences and partially offset by the impairment of certain patent.

Working Capital and Financial Resources

As at December 31, 2020, the cash and cash equivalents of the Group amounted to approximately US$629.1 million (2019: approximately US$252.4 million). As at December 31, 2020, the restricted cash of the Group amounted to approximately US$7.5 million (2019: approximately US$1.0 million).

As at December 31, 2020, the Group had available unutilized bank facilities of approximately US$178.3 million (2019: approximately US$15.5 million).

Cash Flow Analysis

During the Reporting Period, the annual cash outflow used in operating activities of the Group was approximately US$151.1 million.

During the Reporting Period, the annual cash outflow used in investing activities of the Group was approximately US$100.2 million. This was mainly due to (i) proceeds from the financial assets at fair value through profit or loss in the amount of approximately US$16.1 million, (ii) cash paid for the purchases of items of property, plant and equipment and other intangible assets for the purpose of enlarging production capability in the amount of US$127.7 million, (iii) cash paid for the investment in associates in the amount of US$2.1 million, and (iv) cash received from the investment income of US$3.7 million, and (v) the redemptions of time deposits in the amount of US$12.4 million, and (vi) net cash paid for the pledged short-term deposits in the amount of US$2.3 million.

During the Reporting Period, the annual cash inflow generated from financing activities of the Group was approximately US$624.2 million. This was mainly due to (i) proceeds from issue of shares for the initial public offering of Legend in the amount of US$608.0 million, (ii) proceeds from exercise of share options by employees in the amount of US$9.5 million, (iii) net proceeds from bank loans in the amount of US$24.2 million, (iv) payment for share repurchased in the amount of US$9.5 million, (v) dividends payment for non-controlling shareholders in the amount of US$6.5 million, and (vi) the principle portion of lease payments in the amount of US$1.9 million.

Capital Expenditure and Capital Commitment

During the Reporting Period, the expenditure of purchasing intangible assets, namely software, patents and license, was approximately US$5.8 million and the expenditure of purchasing property, plant and equipment amounted to approximately US$121.9 million.

Significant Investments Held, Material Acquisitions and Disposals

On April 16, 2020, the deemed disposals of the Company's equity interest in Legend prior to the spin-off by way of a separate listing of Legend on Nasdaq Global Select Market were completed (the "Closing"). The Closing resulted in a reduction of the percentage shareholding of the Company in Legend and constituted a deemed disposal of the Company's equity interests in Legend under Rule 14.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Please refer to the announcements of the Company dated March 31, 2020, April 14, 2020 and April 16, 2020 for details.

The spin-off by way of a separate listing of Legend on Nasdaq Global Select Market through the initial public offering of the ordinary shares of Legend in the form of American depositary shares was completed on June 5, 2020 (the "Offering"). The Offering resulted in a reduction of the percentage shareholding of the Company in Legend and constituted a deemed disposal of the Company's equity interests in Legend under Rule 14.29 of the Listing Rules. Please refer to the announcements and circular of the Company dated March 10, 2020, March 16, 2020, May 14, 2020, May 26, 2020, May 29, 2020, June 5, 2020 and June 7, 2020 for details.

As of the date of this Report, Legend remains a non-wholly owned subsidiary of the Company and the financial results of Legend continues to be consolidated into the financial statements of the Group.

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

Bank Loans

As at December 31, 2020, Nanjing GenScript Biotech Co., Ltd.* (南京金斯瑞生物科技有限公司) ("GS China") borrowed short-term interest-bearing loans from Citi Bank for a total amount of RMB57.8 million (equivalent to approximately US$8.9 million) and from China Merchants Bank for a total amount of RMB100.0 million (equivalent to approximately US$15.3 million) with a fixed annual interest rate at 3.4% and 3.5% respectively, which were secured by credit. GS China used such loans to purchase raw materials and replenish working capital.

As at December 31, 2020, Nanjing Bestzyme Bioengineering Co., Ltd. ("Nanjing Bestzyme") and Jiangsu Genscript Biotech Co., Ltd ("Jiangsu GenScript") borrowed short-term interest-bearing loans from CITIC Bank for a total amount of RMB84.0 million (equivalent to approximately US$12.9 million) with a fixed annual interest rate at 3.2%, which were secured by the credit of GS China. Nanjing Bestzyme and Jiangsu GenScript used such loans to purchase raw material and replenish working capital.

As at December 31, 2020, Genscript (Hong Kong) Limited ("GS HK") borrowed a short-term interest-bearing loan from Citi Bank for a total amount of US$7.0 million with a floating interest rate at the one-month LIBOR (London Interbank Offered Rate) rate plus 0.5%, which were secured by credit. GS HK used such a loan to purchase goods and replenish working capital.

As at December 31, 2020, GenScript Japan Inc. ("GS JP") borrowed a long-term interest-bearing loan from Mizuho Bank for a total amount of JYP190.0 million (equivalent to approximately US$1.8 million) with a floating interest rate at the TIBOR (Tokyo interbank Offered Rate) rate plus 0.25%, which were secured by the building and freehold land held by GS JP. GS JP used such a loan to purchase building.

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

Provision, Contingent Liabilities and Guarantees

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

As at December 31, 2020, bank balances of RMB27.7 million (equivalent to approximately US$4.2 million) was frozen by the Authority related to the Investigation. As at the date of this report, bank balances of RMB10.0 million (equivalent to approximately US$1.5 million) was still frozen while remaining amount was released in March 2021.

As at the date of this report, to the best of the Company's knowledge, no charges have been made or filed against any entity or individual, and no other details released by the Authority. The Investigation is ongoing. There is uncertainty in what the final penalty and charges may be, if there is any, which depends on the development and closure of the Investigation. The Group did not provide any contingent liability for the Investigation for the Reporting Period as the Group is not able to make a sufficiently reliable estimate of the amount of the obligation.

The Company will make further announcement in a timely manner on any important development of the Investigation. As at the date of this report, the Group's business operations remain normal.

As at December 31, 2020, the Group did not have any material contingent liabilities or guarantees.

Charges on Group Assets

As at December 31, 2020, the building and freehold land located in Tokyo, Japan of approximately JPY1.2 billion (equivalent to approximately US$12.0 million) was pledged by GS JP to secure a loan of JPY190.0 million (equivalent to approximately US$1.8 million).

As at December 31, 2020, bank balances of approximately US$3.0 million was pledged by subsidiaries incorporated in the PRC for notes payable of approximately US$3.0 million, and of approximately US$256,000 was pledged by Legend Biotech USA Incorporated ("Legend USA") for credit cards.

Save as above, the Group did not have any other material charges over its assets as of December 31, 2020.

Current Ratio and Gearing Ratio

As at December 31, 2020, the Group's current ratio (current assets to current liabilities) approximately 3.0 (as at December 31, 2019: 2.5); and gearing ratio (total liabilities to total assets) was approximately 43.7% (as at December 31, 2019: 58.1%).

MARKET RISKS

The Group is exposed to various types of market risks in the ordinary course of business, including foreign exchange risk, cash flow and fair value interest rate risk and credit risk. The Group manages its exposure to such risks and other market risks through regular operation and financial activities.

Foreign Exchange Risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar. Foreign exchange risk arises from foreign currencies held in certain overseas subsidiaries. Since January 2019, the Group has entered into a series of forward contracts to manage the Group's currency risk.

Cash Flow and Fair Value Interest Rate Risk

Other than bank balances with variable interest rates and short-term deposits with fixed interest rates, the Group has financial products of approximately US$5.9 million related to fair value interest rate risk.

Credit Risk

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

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

Non-adjusting Event after The Reporting Period

As at the end of the Year, the bank balances frozen by the Authority in connection with the Investigation were approximately US$4,245,000. The frozen bank balances were partially released by the Authority in March 2021 and the remaining frozen balances were approximately US$1,533,000 with a frozen period from March 24, 2021 to September 23, 2021.

Prospects

In the year of 2020, the novel coronavirus (COVID-19) pandemic has caused profound changes in people's daily lives, international relationships and the global economy. Our business was no exception. Some of these changes may be temporary, but many will belong lasting.

Many of our customers were negatively impacted by the COVID-19 during 2020. The demand for life-science services and products from academic and research institutions grew at a slower pace due to campus shutdowns and logistics disruptions globally. International customer demands for industrial enzyme and bio-synthesized products also took a pause given the uncertain global economic environment. Nevertheless, we believe these negative impacts were temporary and the spread of the COVID-19 will eventually be contained. Since the second half of the Year, we started to observe customer demands from the impacted areas starting to increase.

We are also identifying new opportunities for our business brought by the COVID-19 pandemic. Our customers in the IVD industry have shown strong demands for protein antigen, antibody and other testing materials. As the pandemic is still impacting a large portion of the world, we believe our business will continue to benefit from diagnostics demands. Furthermore, we have co-developed with The Duke–NUS Medical School the first COVID-19 neutralizing antibody detection kit approved for emergency use authorization (EUA) by the FDA. We believe this should open new market opportunities for us in the IVD industry.

More importantly, it is clear that the need for the new generation of medicines and diagnostics, as well as the tools and services that enable the pharmaceutical industry to research and produce such medicines is strong and ever growing.

Future Development Strategies

Looking forward to 2021, the Group continues to optimize research and development, go-to-market and capital allocation strategies:

Keeping our customers first, we will continue to improve our DNA synthesis throughput and cost efficiency through increased automation. We will also continue to expand our life-science offerings in plasmid preparation, protein expression, antibody production, oligo, etc. to provide one stop services to customers.

Looking forward, we would also continue to upgrade our life-science products and services in order to serve the translational medical research and commercial market. This means we will invest in Good Laboratory Practice (GLP) and GMP capabilities globally and in research and development efforts in order to capture this much larger market.

For our biologics CDMO business, we have firmly established ourselves as a leading player in China for both antibody drug development and gene and cell therapy (GCT) services. We will continue to leverage our strength and experience in upstream discovery services to attract customer projects and convert them into downstream development and manufacturing projects. We will also continue to invest in capacity expansion to better meet our clients' needs as existing and new projects move from earlier development phase into later phase and commercial manufacturing stage.

In synthetic biology, we are committed to grow Bestzyme into a leading industrial enzyme solution provider by continuing invest in research and development to expand our addressable market and lower our production cost.

In cell therapy, we will continue to push forward Legend's pipeline programs through our internal resources as well as collaborations with external partners. We will continue to explore the advantage of conducting investigator initiated trials (IIT) in China and selectively combine those with Investigational New Drug trials approved by the FDA in the U.S. to generate clinical data in a fast and cost effective way.

Overall, at the group level, we will continue to optimize our capital structure, improve operational efficiency, and make selective investments to incubate high potential projects with risk adjusted return in mind.

EMPLOYEES

As at December 31, 2020, the Group had a total of approximately 4,601 employees. The Group had entered into employment contracts covering positions, employment conditions and terms, salaries, employees' benefits, responsibilities for breach of contractual obligations, and reason for termination with its employees. The remuneration package of the Group's employees includes basic salary, subsidies, and other employees' benefits, which are determined with reference to experience, number of years with the Group, and other general factors.

During the Reporting Period, the Company's total expenses on the remuneration of employees (including the Directors) was approximately US$225.6 million, representing approximately 57.7% of the total revenue of the Company.

On July 15, 2015, the Company adopted the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme"). On December 7, 2015, the Company adopted the post-IPO share option scheme (the "Post-IPO Share Option Scheme"). On December 21, 2017, the Company approved and adopted the share option scheme of Legend, 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"). On March 22, 2019, the Company adopted the Restricted Share Award Scheme (the "RSA Scheme"). On May 26, 2020, the shareholders of Legend approved and adopted the restricted shares plan of Legend (the "2020 Restricted Shares Plan"). No further share options have been granted under the Pre-IPO Share Option Scheme since the Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

5,525,000 share options with an exercise price of HK$13.84 per share, 720,000 share options with an exercise price of HK$15.00 per share and 2,360,000 share options with an exercise price of HK$12.10 per share were granted under the Post-IPO Share Option Scheme to certain Directors and employees on April 29, 2020, September 1, 2020 and December 28, 2020, respectively. Please refer to our announcements dated April 29, 2020, September 1, 2020 and December 28, 2020 for details. Save as disclosed, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

930,443 restricted shares, 44,493 restricted shares and 3,565,933 restricted shares were granted under the RSA Scheme to certain Directors and employees on April 29, 2020, September 1, 2020 and December 28, 2020, respectively. Please refer to our announcements dated April 29, 2020, September 1, 2020 and December 28, 2020 for details. Save as disclosed, no other restricted shares have been granted under the RSA Scheme during the Reporting Period.

During the Reporting Period, 679,000 share options were granted under the Subsidiary Share Option Scheme. Save as disclosed, no other options have been granted under Subsidiary Share Option Scheme during the Reporting Period.

1,138,863 restricted share units were granted under the 2020 Restricted Shares Plan. Save as disclosed, no other restricted shares have been granted under the 2020 Restricted Shares Plan during the Reporting Period.

The number of employees of the Group categorized by function as of December 31, 2020 is set forth as follows:

Function	Number of employees	Percentage of total %
Production	1,884	41.0
Sales and marketing	432	9.4
Administration	613	13.3
Research and development	963	20.9
Management	709	15.4
Total	4,601	100.0

The Group invests in continuing education and training programmes for its employees with a view to constantly upgrading their skills and knowledge and providing the employees with an environment that encourages them to develop their career with the Group. The Group has arranged continuous on-the-job training for its employees. These training courses cover a broad spectrum, including technical know-how of various business segments, environmental, health and safety management systems, and mandatory training required by applicable laws and regulations.

In accordance with relevant PRC regulations on social insurance, the Group makes contribution to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund for its employees.

DIRECTORS

The Board currently consists of ten directors of the Company (the "Directors"), comprising three executive Directors, three non-executive Directors, and four independent non-executive Directors. The following table sets out certain information concerning our Directors.

Name	Age	Position	Date of Appointment
Executive Directors			
Meng Jiange	52	Chairman and executive Director	August 24, 2015 *(appointed as chairman of the Board with effect from November 22, 2020)*
Wang Ye	52	Executive Director and president	May 21, 2015
Zhu Li	71	Executive Director and Chief Strategy Officer	November 22, 2020
Non-executive Directors			
Zhang Fangliang	56	Non-executive Director	May 21, 2015 *(Resigned from the position of chief executive officer and re-designated from executive Director to non-executive Director with effect from August 2, 2020, and resigned from chairman of the Board and non-executive Director with effect from November 22, 2020)*
Wang Luquan	51	Non-executive Director	May 21, 2015
Pan Yuexin	62	Non-executive Director	August 24, 2015
Wang Jiafen	69	Non-executive Director	November 26, 2018
Independent non-executive Directors			
Guo Hongxin	57	Independent non-executive Director	August 24, 2015
Dai Zumian	43	Independent non-executive Director	August 24, 2015
Pan Jiuan	52	Independent non-executive Director	November 26, 2018
Wang Xuehai	46	Independent non-executive Director	November 22, 2020

Executive Directors

Mr. Meng Jiange (孟建革), aged 52, is the chairman and an executive Director of the Company. He was appointed as an executive Director of the Company on August 24, 2015 and was appointed as the chairman of the Board with effect from November 22, 2020. He is primarily responsible for the development, positioning, and strategy planning of the Group. He was appointed as the vice president of finance of the Group in April 2010 when he joined the Group, was the vice president of investor relations between December 1, 2017 to December 31, 2019 and was the secretary of the Board between January 1, 2020 to November 22, 2020. Mr. Meng is the chairman of our nomination committee ("Nomination Committee").

Mr. Meng has over 26 years of experience in finance and accounting. Prior to joining the Group, from July 1990 to October 1997, Mr. Meng worked at CCCC Guangzhou Dredging Co., Ltd.* (中交廣州航道局有限公司). From January 1999 to May 2000, Mr. Meng worked as the national finance manager at Guangdong Whirlpool Home Appliance Group* (廣東惠而浦家電集團)). From May 2000 to July 2004, Mr. Meng worked at Schering-Plough China* (先靈葆雅中國公司) as a branch finance manager and the accounting and IT manager in the head office. From September 2004 to December 2007, Mr. Meng worked as the Asia finance controller of Saint Gobain Grains and Powder Division. From March 2008 to March 2010, Mr. Meng worked as the chief financial officer of Quay Magnesium.

Mr. Meng graduated from Changsha Communications Institute* (長沙交通學院) (currently known as Changsha University of Science Technology* (長沙理工大學)) in the PRC with a Bachelor of Engineering degree in July 1990.

Ms. Wang Ye (王燁), aged 52, is the co-founder, an executive Director and president of the Company. She was appointed as a Director on May 21, 2015 and redesignated as an executive Director on August 24, 2015 and is primarily responsible for the Group's strategies and overall operational management. Ms. Wang is the chairwoman and the director of Legend Biotech Corporation ("Legend"). Ms. Wang is currently the director of Bestzyme Biotech Corporation ("BSJ Cayman"), Bestzyme Biotech Limited ("BSJ BVI"), Bestzyme Biotech HK Limited (香港百斯傑生物科技有限公司) ("BSJ HK"), Bestzyme Biotech USA Incorporated ("BSJ US"), Legend Biotech Limited ("Legend BVI"), Legend Biotech HK Limited, Legend Biotech (Netherlands) B.V., Legend Biotech Ireland Limited, Nanjing Legend Biotech Co., Ltd.* (南京傳奇生物科技有限公司), Legend Biotech USA Inc., GenScript Bioscience (BVI) Limited ("GS BVI") (formerly known as Genscript Biotech Limited), GenScript (Hong Kong) Limited ("GS HK"), Genscript International Limited, Genscript USA Incorporated ("GS USA"), Qragen Biotech Corporation, Qragen Biotech (BVI) Limited, Qragen Biotech (HK) Limited, Maple Bio and Maple Bio (Nanjing) Co., Ltd.* (楓楊生物研發 (南京) 有限公司), CustomArray, Inc. Ms. Wang is the partner of Nanjing Genbest Enterprise Management Center (Limited Partner)* (南京金百企業管理中心 (有限合夥)). Ms. Wang is the trustee and president of Ren-Shiu Foundation, Inc. Ms. Wang is a member of our remuneration committee ("Remuneration Committee") and the chairwoman of our sanctions risk control committee ("Sanctions Risk Control Committee").

She joined Genscript Corporation ("GS Corp") in August 2002 and served as the sales account manager until January 2005. In the Group, she worked as the sales and marketing director from February 2005 to August 2009, vice-president of operations from September 2009 to August 2011, and executive vice-president of operations from September 2011 to March 2014. She has been the chief operating officer of GS Corp in April 2014 and redesignated as the president since December 1, 2017. Prior to joining the Group, she worked as the environmental monitoring engineer at Shenzhen Futian Environment Protection Surveillance Station* (深圳市福田區環境保護監測站) from July 1993 to July 2000.

Ms. Wang obtained a Bachelor of Science in Microbiology and a Master of Science degree from Wuhan University* (武漢大學) in the PRC in July 1990 and in August 1993, respectively. She also obtained a Master of Science in Computer Sciences degree from Bridgeport University in the U.S. in December 2003. She obtained an Executive Master of Business Administration degree from the China Europe International Business School* (中歐國際工商學院) in the PRC in August 2014.

Dr. Zhu Li (朱力), aged 71, is an executive Director and chief strategy officer of the Company. He is primarily responsible for strategy planning of the Company. Dr. Zhu was the vice president of strategy of the Group from March 2010 to February 2017, the chief strategy officer of the Company from February 2017 to July 2019, and a consultant for the Company from July 16, 2019 to November 21, 2020. He was appointed as an executive Director with effect from November 22, 2020. Upon his appointment as executive Director, he resumed his role as the chief strategy officer of the Company.

Before joining the Group, Dr. Zhu worked at Clontech Laboratories, Inc. in California, USA as a director of molecular biology from January 1990 to March 2000, where he pioneered the commercialization of yeast two-hybrid system and a series of other advanced molecular biology techniques. Dr. Zhu founded Genetastix Corporation, Inc. and acted as the president and chief executive officer from May 2000 to December 2005. Genetastix Corporation, Inc. is a biotech company with a focus in creating a human antibody library in yeast and applying the genetic method in screening such antibody. Dr. Zhu then worked at biotech companies in China, serving as vice president of research at Cathay Biotech, Inc. from July 2006 to December 2008, and as vice president of HUYA Biomedical Technology (Shanghai) Co., Limited* (滬亞生物醫藥技術 (上海) 有限公司) from January 2009 to December 2009.

Dr. Zhu obtained a Bachelor of Science of Biology degree from the East China Normal University (華東師範大學) in June 1982 and a Doctor of Philosophy in molecular biology and immunology from Stanford University in July 1989.

Non-executive Directors

Dr. Wang Luquan (王魯泉), aged 51, is a co-founder and a non-executive Director of the Company. He was appointed as a Director on May 21, 2015 and redesignated as a non-executive Director of the Company on August 24, 2015 and is primarily responsible for the Group's strategies and operational management. From 2003 to 2014, Dr. Wang was the president of GS Corp and is still currently a director of GS Corp. Dr. Wang is currently the director of two of the Company's subsidiaries, namely, GS HK and GS USA.

Dr. Wang has nearly 26 years of experience in the biotechnology industry. He has been appointed as the chief executive officer and chairman of Xinhua Biological Pharmaceutical (Guangzhou) Co., Ltd.* (信華生物藥業 (廣州) 有限公司) since December 2020. Prior to joining the Group, from 1991 to 1996, he worked as a graduate research assistant, and from 1995 to 1996, a bioinformatics staff at Rutgers University in the U.S.. From 1996 to 2003, Dr. Wang was a senior principal scientist at Schering-Plough Research Institute.

Dr. Wang obtained a Bachelor of Science in Biochemistry degree from Shandong University* (山東大學) in the PRC in July 1991 and a Doctor of Philosophy degree from Rutgers University in the U.S. in October 1996.

Mr. Pan Yuexin (潘躍新), aged 62, was appointed as a non-executive Director of the Company on August 24, 2015 and is primarily responsible for the Group's strategies and operational management.

Mr. Pan graduated from the Zhejiang Branch of the Open University of China* (中央廣播電視大學浙江分校) with a Chinese language and literature diploma in July 1985. Mr. Pan graduated from the Chinese Academy of Social Sciences* (中國社會科學院) with an economic law post graduate degree in July 1987.

Mr. Pan has been a partner of Jun He Law Offices (君合律師事務所) from October 1992 to May 2003 and July 2009 to February 2013. Mr. Pan has been the chairman of Shaoxing Lvpai Enterprise Management Co, Ltd.* (紹興律派企業管理股份有限公司) from December 2018 and the chairman of Shanghai Lvpai Enterprise Management Consulting Co, Ltd.* (上海律派企業管理諮詢有限公司) from May 2016. He has been the chairman of Shaoxing Luchang Culture Development Co. Ltd* (紹興律昌文化發展有限公司) since 2019.

Mr. Pan was the committee member and secretary general of the Education Committee of the All China Lawyers Association, PRC* (中華全國律師協會) from 2001 to 2003. He was also the director of the Hainan and Shanghai branches of Jun He Law Offices (君合律師事務所) from October 1992 to May 2003 and deputy director of the Education Committee of the Shanghai Bar Association* (上海市律師協會) from 2000 to 2003.

Mr. Pan was an independent non-executive director of Jiangling Motors Co., Ltd.* (江鈴汽車股份有限公司, SZSE: 000550), which is listed on the Shenzhen Stock Exchange, from 2005 to 2009, Sinochem International Corporation* (中化國際貿易股份有限公司, SHA: 600500), which is listed on the Shanghai Stock Exchange, from 2002 to 2003, Shanghai Tunnel Engineering Co., Ltd.* (上海隧道工程股份有限公司, SHA: 600820), which is listed on the Shanghai Stock Exchange, from 2009 to 2016, Great Wall Movie and Television Co., Ltd.* (長城影視股份有限公司, SZSE: 002071), which is listed on the Shenzhen Stock Exchange, from 2011 to 2014, and Simei Media Co., Ltd* (思美傳媒股份有限公司, SZSE: 002712) from 2009 to 2012 before it was listed on the Shenzhen Stock Exchange in 2014.

Ms. Wang Jiafen (王佳芬), aged 69, was appointed as a non-executive Director of the Company on November 26, 2018 and is primary responsible for the Group's strategies and operational management.

Ms. Wang has over 41 years of experience in corporate management across various industries, including financial, food and retail services. She is currently the chairwoman of Shanghai Guanji Enterprise Management Consulting Co., Ltd.* (上海觀詰企業管理諮詢公司) and a coach of Shanghai Lingjiao Enterprise Management Consulting Co. Ltd* (上海领教企業管理諮詢有限公司). She has previously served as the vice chairwoman of Ping An Trust Co., Ltd.* (平安信託有限責任公司) from 2011 to 2015. From 2008 to 2011, she was a partner of Granite Global Ventures (紀源資本). From 1996 to 2008, Ms. Wang served as the chairwoman and general manager of Bright Dairy Co., Ltd.* (光明乳業股份有限公司) (SHA: 600597). From 1992 to 2002, she served as the chairwoman and general manager of Shanghai Diary Company* (上海市牛奶公司).

Ms. Wang has been serving as a non-independent director of Shanghai Rongtai Health Technology Corporation Limited* 上海榮泰健康科技股份有限公司 (SHA: 603579) since October 2019, an independent director of UE Furniture Co, Ltd (浙江永藝傢俱股份公司) (SHA: 603600) since 2017, an independent director of BESTORE Co., Ltd. (良品鋪子股份有限公司) (SHA: 603719) since November 2017, an independent director of Zhende Medical Co., Ltd (振德醫療用品股份有限公司) (SHA: 603301) since 2016 and a director of Shanghai Xintonglian Packaging Co., Ltd (上海新通聯包裝股份有限公司) (SHA: 603022) since 2011. She has also served as an independent director of Eurocrane (China) Co., Ltd* (法蘭泰克重工股份有限公司) (SHA: 603966) from 2017 to 2018 and a director of Meinian Onehealth Healthcare Holdings Co., Ltd (美年大健康產業控股股份有限公司) (SZSE: 002044) from 2013 to November 2019.

Ms. Wang obtained her college degree in business management from Shanghai Television University* (上海電視大學) in 1986 (now known as Shanghai Open University* 上海開放大學). She obtained her master degree in business administration from China Europe International Business School (中歐國際工商學院) in 2004.

Independent Non-executive Directors

Mr. Guo Hongxin (郭宏新), aged 57, was appointed as an independent non-executive Director of the Company on August 24, 2015. Mr. Guo is the chairman of our remuneration committee and a member of our audit committee ("Audit Committee").

From July 1983 to March 1998, Mr. Guo was working at the Nanjing School of Chemical Engineering. Since April 1998, he has been the chairman of the board of Sunpower Group Ltd, which was listed on the Singapore Exchange SESDAQ in March 2005 and has been listed on the Singapore Exchange Mainboard since August 2007 (SPWG: Singapore Exchange).

Mr. Guo obtained a Diploma in Chemical Thermal Engineering from Nanjing Chemical Engineering College* (南京化工動力專科學校) (currently known as Nanjing Normal University) in the PRC in July 1983. Mr. Guo obtained a senior engineering qualification from Nanjing University of Chemical Technology* (南京化工大學) (currently known as Nanjing Tech University* (南京工業大學)) in the PRC in March 1997. He also obtained a Doctor of Philosophy in Geotechnical Engineering degree from the Chinese Academy of Sciences* (中國科學院) in the PRC in January 2010. He also obtained an Executive Master of Business Administration degree from Tsinghua University* (清華大學) in the PRC in July 2014 and he was qualified as a senior engineer by the Advanced Professional Technical Qualification Evaluation Committee of Mechanical Engineering* (機械工程高級專業技術資格評審委員會評審), Nanjing, Jiangsu Province in November 2018. Mr. Guo was awarded the title of distinguished professor of Nanjing Tech University in May 2020.

Mr. Dai Zumian (戴祖勉), aged 43, was appointed as an independent non-executive Director of the Company on August 24, 2015. Mr. Dai is the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee.

Mr. Dai is a member of the Chinese Institute of Certified Public Accounts as well as a fellow of Association of Chartered Certified Accountants. From July 1999 to August 2006, he gained over seven years' experience in auditing. His experience in auditing includes that gained at PricewaterhouseCoopers Zhongtian Certified Public Accountants (普華永道中天會計師事務所) from February 2005 to August 2006.

Mr. Dai was the qualified accountant and company secretary of Hisense Kelon Electrical Holdings Limited (海信科龍電器股份有限公司, HKSE: 921, SZSX: 000921), which is listed on the Main Board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, from September 2006 to August 2007. Mr. Dai served as the chief financial officer of Shanghai Golden Monkey Food Joint Stock Co., Ltd.* (上海金絲猴食品股份有限公司)) from February 2009 to April 2012, of Xiezhong International Holdings Limited (協眾國際控股有限公司, HKSE: 3663) which is listed on the Main Board of the Hong Kong Stock Exchange, from May 2012 to June 2017, and of Roseonly Group Co., Ltd.* (諾誓集團有限公司) from October 2017 to April 2019. Mr. Dai has been appointed as the chief financial officer of Shanghai Sanxi Big Data Technology Co., Ltd.* (上海三熙大數據技術有限公司) since April 2019.

Mr. Dai graduated from Shanghai University of Finance and Economics* (上海財經大學) in the PRC with a Bachelor of International Business Administration degree in June 1999. He also holds an Executive Master of Business Administration degree from China Europe International Business School* (中歐國際工商學院) in the PRC earned in October 2013.

Mr. Pan Jiuan (潘九安), aged 52, was appointed as an independent non-executive Director of the Company on November 26, 2018. Mr. Pan is the member of the Audit Committee and the Nomination Committee.

Mr. Pan has over 21 years of experience in human resources and management across various industries, including education, kitchen electrical appliances, office automated facilities, textile and garment. He is currently the chief executive officer of Ningbo Liangzhixin Culture Media Co., Ltd.* (寧波良知行文化傳媒有限公司) from January 2021. From May 2020 to December 2020, he served as the chief executive officer of Shanghai FastLink Door Co., Limited* (上海快聯門業有限公司). From 2018 to 2020, he served as the chief human resources officer of Shanghai Lingjiao Enterprise Management Consulting Co. Ltd* (上海領教企業管理諮詢有限公司). From 2010 to 2013 and 2003 to 2010, he served as the corporate group director of human resources of each of K-Boxing Men's Wear (Shanghai) Co. Ltd.* (勁霸男裝 (上海) 有限公司) and Ningbo Fotile Kitchen Appliances Co. Ltd.*. (寧波方太廚具有限公司), respectively. From 1994 to 2002, he was the deputy manager, manager, and senior manager of Minolta Industries (HK) Limited (美能達實業 (香港) 有限公司).

Mr. Pan obtained his bachelor degree in law from Central South University of Technology* (中南工業大學) (now known as Central South University* (中南大學)) in 1991. He obtained his qualification as a lawyer in the PRC in 1994. He also obtained the national manager qualification* (國家一級經理人資格) from Shanghai Jiao Tong University Center for Quality Management* (上海交通大學卓越管理中心) in 2016. He further obtained the certificate of chief human resources officer from Remin University* (中國人民大學) in 2018.

Dr. Wang Xuehai (王學海), aged 46, was appointed as an independent non-executive director on November 22, 2020.

From 2000 to 2003, Dr. Wang served as a vice president of Humanwell Healthcare (Group) Co., Ltd. (人福醫藥集團股份公司) ("Humanwell Healthcare"), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600079). He served as the vice president of Humanwell Healthcare from October 2000 to February 2003, the president of Humanwell Healthcare from February 2003 to October 2006, and then as the chairman of Humanwell Healthcare from October 2006 to April 2020. He also served as the chairman of Lifestyles Healthcare Pte Ltd* (樂福思健康集團公司) since September 2017 and as the chairman of Wuhan Jissbon Sanitary Products Limited* (武漢傑士邦衛生用品有限公司) since February 2001. Dr. Wang has been serving as a director of Humanwell Healthcare since April 2020 and as an independent director of Douyu International Holdings Limited, the shares of which are listed on the Nasdaq Global Select Market (stock code: DOYU), since March 2019.

Dr. Wang is also the vice president of China Pharmaceutical Enterprises Association* (中國醫藥企業管理協會), an executive committee member of All-China Federation of Industry and Commerce* (中華全國工商業聯合會), a member of Hubei Provincial Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議湖北省委員會), the vice chairman of Hubei Federation of Industry and Commerce* (湖北省工商業聯合會), the president of Hubei Pharmaceutical Industry Association* (湖北省醫藥行業協會), the vice chairman of Hubei Youth Federation* (湖北省青年聯合會), and the president of Wuhan Young Entrepreneur Association* (武漢市青年企業家協會).

Dr. Wang obtained a Bachelor degree in geochemistry from the China University of Geosciences* (中國地質大學) in 1996, and a Master degree and Doctor's degree in business management both from the Wuhan University* (武漢大學) in 1999 and 2003, respectively. He also obtained an Executive Master of Business Administration from the Central Connecticut State University (中康乃狄克州立大學) in 2002.

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Year of joining the Group	Date of Appointment
Meng Jiange	(see above)	(see above)	(see above)
Wang Ye	(see above)	(see above)	(see above)
Zhu Li (resumed as a chief strategy officer with effect from November 22, 2020)	71	(see above)	(see above)
Zhang Fangliang (resigned from the position of chief executive officer with effect from August 2, 2020)	(see above)	(see above)	(see above)
Zhengyu Liu (appointed as chief executive officer with effect from August 2, 2020)	44	May 11, 2009	August 2, 2020
Wei Shiniu (appointed as chief financial officer with effect from December 1, 2020)	42	September 2, 2020	December 1, 2020
Ying Huang (appointed as chief executive officer of Legend with effect from November 6, 2020)	48	July 22, 2019	November 6, 2020
Xu Yuan (resigned as chief executive officer of Legend with effect from August 2, 2020)	53	March 28, 2018	March 28, 2018

Mr. Meng Jiange (孟建革), is the chairman and the executive Director of the. Please refer to the previous section headed "Executive Directors" for the biography of Mr. Meng.

Ms. Wang Ye (王燁), is the co-founder, the executive Director and president of the Company. Please refer to the previous section headed "Executive Directors" for the biography of Ms. Wang.

Dr. Zhu Li (朱力), is the executive Director, chief strategy officer of the Company. Please refer to the previous section headed "Executive Directors" for the biography of Dr. Zhu.

Dr. Zhenyu Liu (柳振宇), aged 44, has been appointed as chief executive officer of the Company, subject to retirement by rotation on yearly basis, with effect from August 2, 2020 and is primarily responsible for overseeing the Company's daily operations.

Dr. Liu, obtained his Bachelor in Science degree in biochemistry and molecular biology from Nankai University* (南開大學) in the PRC in June 1998, a Master in Science degree in neurophysiology from Peking University* (北京大學) in the PRC in June 2001 and a Doctor of Philosophy degree in neurobiology from University of Pittsburgh School of Medicine in the U.S. in November 2007.

Dr. Liu has over 10 years of management experience in the life-science and biologics development industry. Dr. Liu joined the Group in May 2009. From May 2009 to August 2015, Dr. Liu served in a number of positions at the Group, including as a senior scientist of discover biology, a director of bioprocess development and a director of institute of biotechnology research. From September 2015 to April 2019, Dr. Liu worked as the general manager of the reagent service business unit. From January 2017 to April 2019, Dr. Liu served as the president of biosciences group. From April 2019 to August 2020, he worked as the president of European division of the Company. He was appointed as the rotating chief executive officer of the Company in August 2020.

Prior to joining the Group, Dr. Liu was a postdoctoral scholar at David Geffen School of Medicine of University of California, Los Angeles from November 2007 to May 2009.

Mr. Wei Shiniu (魏師牛), aged 42, was appointed as the chief financial officer of the Company on December 1, 2020 and is primarily responsible for the Company's overall financial operation management. Mr. Wei joined the Group in September 2019 as vice president of strategy and investor relations.

Prior to joining the Group, Mr. Wei worked as an executive director of secondary market investment department in Fosun Insurance Group in New York from 2017 to 2019. He served as an equity investment analyst and a portfolio manager in Investment Strategies Fund from 2010 to September 2016. From 2009 to May 2010, he worked as an analyst at Protocol Capital Management and prior to that, he worked as a researcher of Research Foundation at the City University of New York.

Mr. Wei obtained his Bachelor of Science degree in Biochemistry from Nanjing University* (南京大學) in 2000 and his Master degree in Business Administration from Baruch College in 2011.

Dr. Ying Huang (黃穎), aged 48, is the chief executive officer and the chief financial officer of Legend. He was appointed as the chief executive officer of Legend with effect from November 6, 2020 and is primarily responsible for all aspects of Legend operations including research and development, clinical, manufacturing, regulatory affairs, human resources, finance and operation, commercial, and business development activities. He was appointed as the chief financial officer of Legend with effect from July 22, 2019 and is primarily responsible for finance, accounting, reporting, investor relation, and corporate communication activities.

Dr. Huang joined Legend from Bank of America Merrill Lynch where he was a managing director and head of biotech equity research since 2014. Dr. Huang led a team of analysts who cover more than 30 biotech companies including Amgen, Gilead, Celgene, Biogen and others that encompass a wide range of therapeutic areas. His knowledge and expertise have been recognized by institutional investor survey as a top ranked biotech analyst on Wall Street. Dr. Huang has been a biotech analyst since 2007 and previous worked at Wells Fargo (formerly Wachovia), Credit Suisse, Gleacher and Barclays before Bank of America Merrill Lynch.

Prior to his Wall Street career, Dr. Huang was a principal scientist at Schering-Plough (now Merck & Co.). He worked in the department of chemical research focusing on small molecule drug discovery in the therapeutic areas of cardiovascular & CNS. He is co-author of multiple patents and peer reviewed publications.

Dr. Huang holds a Ph.D. in bio-organic chemistry from Columbia University. He also studied in the Special Class for Gifted Young at University of Science and Technology of China and Columbia Business School.

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2020.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on May 21, 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on December 30, 2015 (the "Listing" or the "Listing Date").

PRINCIPAL ACTIVITIES

The Company is a well-recognized life-science research and application service and product provider that applies its proprietary technology to various fields from basic life-science research to translational biomedical development, industrial synthetic products, and cell therapeutic solutions. The broad and integrated life-science research and application service and product portfolio comprises main four segments, namely, (i) life-science services and products, (ii) biologics development services, (iii) industrial synthetic biology products, and (iv) cell therapy. The services and products are primarily used by scientists and researchers for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Its development services are used by biopharmaceutical and biotech companies for the development of therapeutic antibodies, and gene or cell therapy products with an integrated platform. Its industrial synthetic biology products are also used by industry users of industrial enzymes, such as those in the food and feed industries. Its cell therapy products are used to treat refractory diseases including cancer and inflammatory diseases. Our customers are primarily located in North America, Europe, the PRC, Japan and the other Asia Pacific regions. The analysis of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended December 31, 2020 are set out on pages 166 and 167 of this annual report.

FINAL DIVIDEND

On June 5, 2020, the Board declared a special dividend to the shareholders of the Company in connection with the spin-off and separate listing of Legend Biotech Corporation on the Nasdaq Global Select Market. Please refer to the announcements of the Company dated June 7, 2020 and July 23, 2020 and the circular dated June 26, 2020 for details.

In order to retain resources for the Group's business development, the Board did not recommend the payment of final dividend for the year ended December 31, 2020.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders to attend and vote at the forthcoming annual general meeting (the "AGM") to be held on Friday, May 28, 2021, the register of members of the Company will be closed from Tuesday, May 25, 2021 to Friday, May 28, 2021 (both dates inclusive), during which period no transfer of shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, May 24, 2021.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The revenue attributable to the top five customers of 2020 accounted for 24.7% of the Company's operating income for the year ended December 31, 2020. The revenue from the largest single customer accounted for 19.4% of the Company's operating income for the year ended December 31, 2020.

Major Suppliers

In 2020, the turnover attributable to the top five suppliers accounted for 27.8% of the Company's total purchases for the year ended December 31, 2020. The turnover of the largest single supplier, accounted for 12.8% of the Company's total purchases for the year ended December 31, 2020.

During the Reporting Period, to the knowledge of the Directors, none of the Directors or any of their close associates or any shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's issued share capital) had an interest in any of the Company's top five customers or suppliers.

PROPERTY, PLANT, AND EQUIPMENT

Details of movements in the property, plant, and equipment of the Group during the Year are set out in note 13 to the financial statements in this annual report.

SHARE CAPITAL

As of December 31, 2020, 1,953,283,180 ordinary shares were issued. Details of movements in the share capital of the Company during the year ended December 31, 2020 are set out in note 32 to the financial statements in this annual report.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity on pages 170 and 171 in this annual report.

DISTRIBUTABLE RESERVES

As of December 31, 2020, the Company did not have any distributable reserves (as of December 31, 2019: approximately US$15,580,000).

DIRECTORS

The Directors during the year ended December 31, 2020 and up to the date of this annual report were:

Executive Directors

Mr. Meng Jiange (Chairman) (Appointed as chairman of the board with effect from November 22, 2020)

Ms. Wang Ye (President)

Dr. Zhu Li (Chief Strategy Officer) (Appointed as an executive Director with effect from November 22, 2020)

Non-executive Directors

Dr. Zhang Fangliang (Resigned from the position of chief executive officer and re-designated from executive Director to non-executive Director with effect from August 2, 2020, and resigned from chairman of the Board and non-executive Director with effect from November 22, 2020)

Dr. Wang Luquan

Mr. Pan Yuexin

Ms. Wang Jiafen

Independent Non-executive Directors

Mr. Guo Hongxin

Mr. Dai Zumian

Mr. Pan Jiuan

Dr. Wang Xuehai (Appointed as an independent non-executive Director with effect from November 22, 2020)

Pursuant to the Memorandum and Articles of Association of the Company (the "Articles"), each of Mr. Meng Jiange, Dr. Zhu Li, Ms. Wang Jiafen, Mr. Pan Jiuan and Dr. Wang Xuehai will retire at the AGM and, being eligible, will offer themselves for re-election. Biographical details of the Directors to be re-elected at the AGM will be set out in the circular dated April 19, 2021 to the shareholders.

DIRECTORS' PROFILES

Biographical details of Directors and senior management of the Company is set out on pages 25 to 32 in this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation from each of the independent non-executive Directors in respect of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent throughout the year ended December 31, 2020 in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into service contracts with the Company for a fixed term of three years commencing on December 1, 2018 for Mr. Meng Jiange and Ms. Wang Ye, and that on November 22, 2020 for Dr. Zhu Li. Their appointments can be terminated before the expiration of the term by not less than six months' notice in writing served by either party on the other.

Each of the non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointments of Dr. Wang Luquan and Mr. Pan Yuexin is August 24, 2018, and that of Ms. Wang Jiafen is November 26, 2018. Their appointments are subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors has signed appointment letters with the Company for a term of three years. The effective date of the appointment of Mr. Guo Hongxin and Mr. Dai Zumian is August 24, 2018, that of Mr. Pan Jiuan is November 26, 2018, and that of Dr. Wang Xuehai is November 22, 2020. Their appointments are subject to termination in accordance with their respective terms.

Save as disclosed herein, none of the Directors has entered into any service contract with the Group that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Company or any of its subsidiaries entered into, whether directly or indirectly, any transactions, arrangements and contracts of significance that a Director of the Company had a material interest in, that was related to the Company's business, and/or that subsisted during and up to the end of the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the Year.

REMUNERATION POLICIES

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 is reviewed by 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 is decided by the Remuneration Committee, having regard to the merit, qualifications, and competence of individual directors, the Group's operating results, and comparable market statistics.

The Company has also adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the Subsidiary Share Option Scheme, the RSA Scheme and 2020 Restricted Shares Plan. The purpose of the Share Option Schemes and the RSA Scheme is to enable us to grant options or restricted shares to selected participants as incentives or rewards for their contributions. The Directors consider that the Share Option Schemes and the RSA Scheme, with its broad basis of participation, will enable the Company or Legend to reward its employees, Directors, and other selected participants for their contributions.

During the year ended December 31, 2020, 5,525,000 share options with an exercise price of HK$13.84 per share, 720,000 share options with an exercise price of HK$15.00 per share and 2,360,000 share options with an exercise price of HK$12.10 per share were granted under the Post-IPO Share Option Scheme to certain Directors and employees on April 29, 2020, September 1, 2020 and December 28, 2020, respectively. Please refer to our announcements of the Company dated April 29, 2020, September 1, 2020 and December 28, 2020 for details. Save as disclosed, no other options have been granted under the Post-IPO Share Option Scheme during the Reporting Period.

During the year ended December 31, 2020, 930,443 restricted shares, 44,493 restricted shares and 3,565,933 restricted shares were granted under the RSA Scheme to certain Directors and employees on April 29, 2020, September 1, 2020 and December 28, 2020, respectively. Please refer to our announcements of the Company dated April 29, 2020, September 1, 2020 and December 28, 2020 for details. Save as disclosed, no other restricted shares have been granted under the RSA Scheme during the Reporting Period.

No option had been granted under the Pre-IPO Share Option Scheme once the Company is listed on the Stock Exchange on the Listing Date.

For details of the Share Option Schemes, the RSA Scheme and the 2020 Restricted Shares Plan, please see the paragraph headed "Share Option Schemes" and "Restricted Share Award Scheme" below.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto. A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company had taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Schemes of the Company as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2020.

SHARE OPTION SCHEMES

A. Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme by a resolution 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 are 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, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
Directors of the Company										
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	295,320	–	–	–	295,320	–
	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	466,397	–	–	–	466,397	–

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, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
	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 Ye	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	24,618,093	–	–	–	24,618,093	–

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, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
	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
Zhu Li (appointed as an executive director with effect from November 22, 2020)	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	1,768,320	–	–	–	1,768,320	–
Chief executive of the Company										
Zhenyu (Patrick) Liu (appointed as chief executive officer with effect from August 2, 2020)	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	1,537,650	–	–	–	1,537,650	–

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, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
Other employees										
Employees	October 17, 2005 – March 30, 2015	October 17, 2008 – December 31, 2025	October 17, 2008 – December 31, 2025	0.003–0.103	44,416,314	–	–	–	41,727,650	2,688,664
					143,061,608	–	–	–	70,413,430	72,648,178

Notes:

(1) The weighted average closing price immediately before the dates on which the options were exercised was HK$14.07.

(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 33 to the financial statements in this annual report.

B. Post-IPO Share Option Scheme

The Company approved and adopted the Post-IPO Share Option Scheme by written resolutions of its then sole shareholder on December 7, 2015. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules. Options to subscribe for 100,863,137 Shares had been granted (of which 10,420,000 options had lapsed) under the Post-IPO Share Option Scheme from the date of its adoption to December 31, 2020.

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

						Number of share options					
Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share (HK$)	Closing Price Per Share immediately before the date of grant (HK$)	Outstanding as at January 1, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
Directors of the Company											
Zhu Li (appointed as an executive director with effect from November 22, 2020)	October 11, 2017	December 31, 2019 – October 10, 2027 December 31, 2020 – October 10, 2027 December 31, 2021 – October 10, 2027 December 31, 2022 – October 10, 2027 December 31, 2023 – October 10, 2027	December 31, 2019 – October 10, 2027	8.330	8.07	800,000	–	–	–	–	800,000

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 January 1, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
Pan Yuexin	November 29, 2018	November 29, 2018 – November 28, 2023 November 29, 2019 – November 28, 2023 November 29, 2020 – November 28, 2023 November 29, 2021 – November 28, 2023 November 29, 2022 – November 28, 2023	November 29, 2018 – November 28, 2023	14.04	14.32	400,000	–	–	–	–	400,000
	September 1, 2020	September 1, 2020 – August 31, 2025 September 1, 2021 – August 31, 2025 September 1, 2022 – August 31, 2025	September 1, 2020 – August 31, 2025	15.00	14.98	–	60,000	–	–	–	60,000
Wang Jiafen	September 1, 2020	September 1, 2020 – August 31, 2025 November 25, 2020 – August 31, 2025 September 1, 2021 – August 31, 2025 November 25, 2021 – August 31, 2025 September 1, 2022 – August 31, 2025	September 1, 2020 – August 31, 2025	15.00	14.98	–	270,000	–	–	–	270,000

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 January 1, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
Guo Hongxin	November 29, 2018	November 29, 2018 – November 28, 2023 November 29, 2019 – November 28, 2023 November 29, 2020 – November 28, 2023 November 29, 2021 – November 28, 2023 November 29, 2022 – November 28, 2023	November 29, 2018 – November 28, 2023	14.04	14.32	400,000	–	–	–	–	400,000
	September 1, 2020	September 1, 2020 – August 31, 2025 September 1, 2021 – August 31, 2025 September 1, 2022 – August 31, 2025	September 1, 2020– August 31, 2025	15.00	14.98	–	60,000	–	–	–	60,000
Dai Zumian	November 29, 2018	November 29, 2018 – November 28, 2023 November 29, 2019 – November 28, 2023 November 29, 2020 – November 28, 2023 November 29, 2021 – November 28, 2023 November 29, 2022 – November 28, 2023	November 29, 2018 – November 28, 2023	14.04	14.32	400,000	–	–	–	–	400,000

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 January 1, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
	September 1, 2020	September 1, 2020 – August 31, 2025 September 1, 2021 – August 31, 2025 September 1, 2022 – August 31, 2025	September 1, 2020– August 31, 2025	15.00	14.98	–	60,000	–	–	–	60,000
Pan Jiuan	September 1, 2020	September 1, 2020 – August 31, 2025 November 25, 2020 – August 31, 2025 September 1, 2021 – August 31, 2025 November 25, 2021 – August 31, 2025 September 1, 2022 – August 31, 2025	September 1, 2020– August 31, 2025	15.00	14.98	–	270,000	–	–	–	270,000
Wang Xuehai (appointed as an independent non-executive director with effect from November 22, 2020)	December 28, 2020	November 21, 2021 – December 27, 2025 November 21, 2022 – December 27, 2025 November 21, 2023 – December 27, 2025	November 21, 2021 – December 27, 2025	12.10	11.36	–	210,000	–	–	–	210,000

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 January 1, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
Chief executive of the Company											
Zhenyu (Patrick) Liu (was appointed as chief executive officer with effect from August 2, 2020)	June 22, 2016	June 22, 2019 – June 21, 2026 June 22, 2020 – June 21, 2026 June 22, 2021 – June 21, 2026 June 22, 2022 – June 21, 2026 June 22, 2023 – June 21, 2026	June 22, 2019 – June 21, 2026	1.2040	1.210	5,000,000	–	–	–	–	5,000,000
Senior management of the Company											
Shiniu Wei (was appointed as chief financial officer with effect from December 1, 2020)	November 29, 2019	November 29, 2020 – November 28, 2029 November 29, 2021 – November 28, 2029 November 29, 2022 – November 28, 2029 November 29, 2023 – November 28, 2029 November 29, 2024 – November 28, 2029	November 29, 2020 – November 28, 2029	19.132	19.54	500,000	–	–	–	–	500,000

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 January 1, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
	December 28, 2020	December 28, 2021 – December 27, 2030 December 28, 2022 – December 27, 2030 December 28, 2023 – December 27, 2030 December 28, 2024 – December 27, 2030 December 28, 2025 – December 27, 2030	December 28, 2021 – December 27, 2030	12.10	11.36	–	400,000	–	–	–	400,000
Other employees											
	June 22, 2016	June 22, 2016 – June 21, 2026	June 22, 2016 – June 21, 2026	1.2040	1.210	3,315,637	–	–	–	230,000	3,085,637
	September 23, 2016	September 23, 2017 – September 22, 2026	September 23, 2017 – September 22, 2026	2.406	2.300	10,679,000	–	–	–	1,740,000	8,939,000
	April 25, 2017	April 25, 2019 – April 24, 2027	April 25, 2019 – April 24, 2027	3.512	3.450	24,002,500	–	–	382,500	1,578,000	22,042,000
	October 11, 2017	July 25, 2018 – October 10, 2027	July 25, 2018 – October 10, 2027	8.330	8.070	10,375,000	–	–	900,000	290,100	9,184,900
	November 20, 2017	December 31, 2019 – November 19, 2027	December 31, 2019 – November 19, 2027	9.350	8.910	8,385,000	–	–	255,000	590,000	7,540,000
	May 4, 2018	January 1, 2019 – May 3, 2028	January 1, 2019 – May 3, 2028	26.46	26.65	9,400,000	–	–	1,000,000	–	8,400,000
	November 29, 2018	November 29, 2019 – November 28, 2028	November 29, 2019 – November 28, 2028	14.040	14.32	800,000	–	–	240,000	65,000	495,000

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 January 1, 2020	Granted during the Reporting Year	Cancelled during the Reporting Year	Lapsed during the Reporting Year	Exercised during the Reporting Year	Outstanding as at December 31, 2020
	July 19, 2019	July 19, 2020 – July 18, 2029	July 19, 2020 – July 18, 2029	18.3	17.86	4,515,000	–	–	570,000	–	3,945,000
	November 29, 2019	November 29, 2020 – November 28, 2029	November 29, 2020 – November 28, 2029	19.132	19.54	5,385,000	–	–	850,000	–	4,535,000
	April 29, 2020	April 29, 2021 – April 28, 2030	April 29, 2021 – April 28, 2030	13.84	13.698	–	5,525,000	–	300,000	–	5,225,000
	December 28, 2020	December 28, 2021 – December 27, 2030	December 28, 2021 – December 27, 2030	12.10	11.360	–	1,750,000	–	–	–	1,750,000
						84,357,137	8,605,000	–	4,497,500	4,493,100	83,971,537

Notes:

(1) The weighted average closing price immediately before the dates on which the options were exercised was HK$14.56.

For further details of the Post-IPO Share Option Scheme, please refer to Appendix V “Statutory and General Information” of the Prospectus and note 32 to the financial statements in this annual report.

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 20,526,000 shares of Legend had been granted (of which 4,602,600 options had lapsed) under the Subsidiary Share Option Scheme from the date of its adoption to December 31, 2020.

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

Category/ Name of Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price per Share US$	Number of share options					
					Outstanding as at January 1, 2020	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at December 31, 2020
Senior management of the Group										
Xu Yuan (resigned with effect from August 2, 2020)	August 30, 2018	July 1, 2019 – August 29, 2028 July 1, 2020 – August 29, 2028 July 1, 2021 – August 29, 2028 July 1, 2022 – August 29, 2028 July 1, 2023 – August 29, 2028	July 1, 2019 – August 29, 2028	1.0	4,400,000	–	–	1,990,000	330,908	2,079,092

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, 2020	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at December 31, 2020
Huang Ying (appointed with effect from November 6, 2020)	July 22, 2019	July 2, 2020 – July 1, 2029 July 2, 2021 – July 1, 2029 July 2, 2022 – July 1, 2029 July 2, 2023 – July 1, 2029 July 2, 2024 – July 1, 2029	July 2, 2020 – July 1, 2029	1.5	1,000,000	–	–	–	7,492	992,508
Other Employees										
	December 26, 2017	December 25, 2019 – December 25, 2027	December 25, 2019 – December 25, 2027	0.5	6,347,000	–	–	296,000	657,886	5,393,114
	August 30, 2018	January 1, 2019 – August 29, 2028	January 1, 2019 – August 29, 2028	1.0	2,883,000	–	–	237,000	407,600	2,238,400
	December 31, 2018	December 31, 2019 – December 30, 2028	December 31, 2019 – December 30, 2028	1.0	636,000	–	–	50,000	65,706	520,294
	January 14, 2019	December 31, 2019 – December 30, 2028	December 31, 2019 – December 30, 2028	1.0	10,000	–	–	–	–	10,000
	January 28, 2019	December 31, 2019 – December 30, 2028	December 31, 2019 – December 30, 2028	1.0	10,000	–	–	–	–	10,000
	July 2, 2019	July 2, 2020 – July 1, 2029	July 2, 2020 – July 1, 2029	1.5	2,223,000	–	–	161,600	188,304	1,873,096

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, 2020	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at December 31, 2020
	July 8, 2019	July 2, 2020 – July 1, 2029	July 2, 2020 – July 1, 2029	1.5	2,000	–	–	–	–	2,000
	November 29, 2019	November 29, 2020 – November 28, 2029	November 29, 2020 – November 28, 2029	11.5	472,000	–	–	34,000	24,100	413,900
	December 9, 2019	November 29, 2020 – November 28, 2029	November 29, 2020 – November 28, 2029	11.5	30,000	–	–	–	–	30,000
	June 5, 2020	June 5, 2021 – June 5, 2030	June 5, 2021 – June 5, 2030	11.5	–	90,000	–	–	–	90,000
	September 1, 2020	November 29, 2020 – August 31, 2030	November 29, 2020 – August 31, 2030	16.335	–	569,000	–	–	–	569,000
	November 19, 2020	November 19, 2021 – November 18, 2030	November 19, 2021 – November 18, 2030	13.575	–	20,000	–	–	–	20,000
					18,013,000	679,000	–	2,768,600	1,681,996	14,241,404

Apart from the movements as stated above, no options were granted, exercised, lapsed or cancelled under the Subsidiary Share Option Scheme during the year ended December 31, 2020.

SUMMARY OF THE SHARE OPTION SCHEMES

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Subsidiary Share Option Scheme
1. Purpose	To recognize and acknowledge the contributions that the eligible participants have or may have made to the Group and to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to (1) attract skilled and experienced personnel; (2) incentivise them to remain with the Group; and (3) motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.	To provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating, and/or providing bene fits to participants.	To provide participants with the opportunity to acquire proprietary interests in Legend and to encourage participants to work towards enhancing the value of Legend and its shares for the benefit of Legend and its shareholders as a whole. The Subsidiary Share Option Scheme will provide Legend with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing bene fits to participants.
2. Participants	Directors, employees, or consultants of any member of the Group.	The Board may offer to grant an option to any participants as the Board may, in its absolute discretion, select.	Directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group; provided that for any participant who is subject to the tax laws of the United States of America (the "U.S. Participant"), such participant must be a natural person and a director or employee of Legend or a subsidiary of Legend that is at least 50% owned by Legend.

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Subsidiary Share Option Scheme
3. Maximum number of Shares to be allotted	As of December 31, 2020, options to subscribe for Shares aggregate of 72,648,178 were outstanding, representing approximately 3.72% of the issued share capital of the Company as of December 31, 2020. No further option may be granted under the Pre-IPO Share Option Scheme.	The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme was 160,000,000, representing approximately 8.19% of the issued share capital of the Company as of December 31, 2020. The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time. Options to subscribe for 8,605,000 Shares had been granted under the Post-IPO Share Option Scheme for the year ended December 31, 2020.	The maximum number of shares of Legend in respect of which options may be granted under the Subsidiary Share Option Scheme was 20,000,000, representing approximately 7.52% of the issued share capital of Legend as of December 31, 2020. The maximum number of shares of Legend that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Subsidiary Share Option Scheme and other scheme of Legend must not exceed 30% of the shares of Legend in issue from time to time. Options to subscribe for 679,000 shares of Legend had been granted under the Subsidiary Share Option Scheme for the year ended December 31, 2020.
4. Maximum – entitlement of each participant	—	1% of the issued share capital of the Company from time to time within any 12 month period up to the date of the latest grant.	1% of the issued share capital of Legend from time to time within any 12 month period up to the date of the latest grant.

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Subsidiary Share Option Scheme
5. Option period	At any time and from time to time up to December 31, 2025.	The period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option. The terms of an offer may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed), either on a case by case basis or generally.	The period of time to be notified by the board of Legend to each grantee at the time of making an offer, which shall be determined by the board of Legend in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option (or 5 years in the case of an incentive stock option within the meaning of Section 422 of the United States Internal Revenue Code of 1986 (the "Internal Revenue Code") granted to a U.S. Participant who is an employee of Legend or a subsidiary corporation (as defined in Section 1.424-1(f) (1) and (2)of the U.S. Treasury Regulations) of Legend, who owns (or is treated as owning) stock possessing more than 10% of the total combined voting power of all classes of stock of the corporation employing the grantee or of any parent corporation or subsidiary corporation as defined in Section 1.424-1(f)(1) and (2) of the U.S. Treasury Regulations). The terms of an offer may include any minimum periods for which an option must be held or any performance targets that must be reached, before the options can be exercised, and may include at the discretion of the board of Legend other terms imposed either on a case by case basis or generally.

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme	Subsidiary Share Option Scheme
6. Acceptance of offer	On acceptance of the offer of the option, the participant shall execute and return an acceptance letter in accordance with the terms and conditions set by the Company.	An option shall remain open for acceptance by the participant concerned for a period of 21 days from the date of the offer. HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.	An option shall remain open for acceptance by the participant concerned for a period of 21 days from the date of the offer. US$1.00 (or its equivalent in RMB) is payable by the grantee to Legend on acceptance of the offer of the option.
7. Exercise Price	From US$0.003 to US$0.103	The Subscription Price shall be no less than the highest of: (1) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (3) the nominal value of a Share on the date of grant.	The Subscription Price payable by any grantee (including a non-U.S. Participant or a U.S. Participant) shall be no less than the value of a share of Legend on the date of grant, determined by the board of Legend in good faith with reference to a valuation report to be obtained from time to time and in a manner that complies with Sections 409A and 422 of the Internal Revenue Code, subject to rounding adjustments as may be determined by the board of Legend at its absolute discretion, provided that with respect to the period from the date when the Company resolves to seek a separate listing of Legend on The Stock Exchange of Hong Kong Limited, Growth Enterprise Market, or an overseas stock exchange and up to the listing date (if any), the rules under note (2) to rule 17.03(9) of the Listing Rules is complied with.
8. Remaining life of the scheme	The Pre-IPO Share Option Scheme expired on December 30, 2015.	It shall be valid and effective for a period of ten years commencing on December 7, 2015.	It shall be valid and effective for a period of ten years commencing on December 21, 2017.

RESTRICTED SHARE AWARD SCHEME

RSA Scheme

The Company adopted its Restricted Share Award Scheme (the "RSA Scheme") on March 22, 2019 (the "Adoption Date") to, among other things, recognize the contributions by any Director or employee of the Company or any of its subsidiaries selected by the Board in accordance with the terms of the RSA Scheme (the "Selected Participant").

The Company and Computershare Hong Kong Trustees Limited as the trustee (the "Trustee") entered into the trust deed in respect of the appointment of the Trustee for the administration of the RSA Scheme (the "Trust Deed"). Pursuant to the RSA Scheme, the share that may be offered by the Company to any Selected Participant (the "Restricted Shares") will be satisfied by (i) existing shares to be acquired by the Trustee on the market, and/or (ii) new shares to be allotted and issued to the Trustee. The total number of the Restricted Shares underlying all grants made pursuant to the RSA Scheme shall not exceed ten percent of the issued share capital of the Company as at March 22, 2019. The RSA Scheme will initially be valid and effective for a period of ten years commencing on the Adoption Date. Vesting shall only occur upon satisfaction (or where applicable, wavier by the Board) of conditions imposed by the Board. Neither the Selected Participant nor the Trustee may exercise any of the voting rights in respect of any Restricted Shares that have not yet vested.

During the Reporting Period, 930,433 Restricted Shares, 44,493 Restricted Shares and 3,565,933 Restricted Shares ("RSA Shares") were granted under the RSA Scheme to certain employees (the "Grantees") on April 29, 2020, September 1, 2020 and December 28, 2020, respectively. The closing price of the Shares on the Stock Exchange was HK$13.84 per share, HK$15.00 per share and HK$11.68 per share on April 29, 2020, September 1, 2020 and December 28, 2020, respectively. Saved as disclosed below, none of the Grantees is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or an associate (as defined in the Listing Rules) of any of them. For details, please refer to the Company's announcements dated April 29, 2020, September 1, 2020 and December 28, 2020.

Save as disclosed, no other RSA Shares have been granted under the RSA Scheme during the Reporting Period.

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

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

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

Category/ Name of Grantee	Date of Grant	Number of Shares As at January 1, 2020	Granted during the Reporting Period	Vesting During the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2020
Director						
Meng Jiange	December 28, 2020	—	400,000(Note 1)	—	—	400,000
Dr. Zhu Li *(appointed as an executive director with effect from November 22, 2020)*	December 28, 2020	—	200,000(Note 2)	—	—	200,000
Chief Executive						
Zhenyu (Patrick) Liu *(appointed as chief executive officer with effect from August 2, 2020)*	April 29, 2020	—	10,750(Note 3)	—	—	10,750
Senior Management						
Wei Shiniu *(appointed as chief financial officer with effect from December 1, 2020)*	April 29, 2020	—	3,620	—	—	3,620
	December 28, 2020	—	400,000	—	—	400,000
Other Employees	July 19, 2019	1,048,116	—	204,316	79,618	764,182
	November 29, 2019	150,000	—	30,000	—	120,000
	April 29, 2020	—	916,073	—	94,426	821,647
	September 1, 2020	—	44,493	—	376	44,117
	December 28, 2020	—	2,565,933	—	—	2,565,933
		1,198,116	4,540,869	234,316	174,420	5,330,249

Notes:

(1) Meng Jiange was granted 400,000 Restricted Shares that will vest in five annual installments equally on 28 December 2021 to 28 December 2025.

(2) Dr. Zhu Li was granted 200,000 Restricted Shares that will vest in five annual installments equally on 28 December 2021 to 28 December 2025.

(3) Dr. Liu Zhenyu was granted 10,750 Restricted Shares that will vest in two annual installments equally on 29 April 2021 and 29 April 2022.

2020 Restricted Shares Plan

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

The purpose of the 2020 Restricted Shares Plan is to promote the success and enhance the value of Legend by linking the personal interests of the participants to those of the Legend's shareholders and by providing the participants with an incentive for outstanding performance to generate superior returns to Legend's shareholders. The 2020 Restricted Shares Plan will provide flexibility to Legend in its ability to motivate, attract, and retain the services of the participants.

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

During the Reporting Period, 1,138,863 restricted share units (the "Restricted Share Units") were granted under the 2020 Restricted Shares Plan.

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

Set out below are details of the outstanding shares under the 2020 Restricted Shares Plan:

		Number of Shares				
Grantee	Date of Grant	As at January 1, 2020	Granted during the Reporting Period	Vesting During the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2020
Participants	June 5, 2020	—	52,173	—	—	52,173
	September 1, 2020	—	777,382	—	26,406	750,976
	November 19, 2020	—	309,308	—	—	309,308
			1,138,863	—	26,406	1,112,457

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of Directors and the five highest paid individuals are set out in note 8 and note 9 to the financial statements in this annual report.

CHANGES TO INFORMATION OF DIRECTORS AND EXECUTIVES

Mr. Meng Jiange has been appointed as the chairman of the Board and chairman of the Nomination Committee with effect from November 22, 2020. Please refer to the announcement of the Company dated November 22, 2020 for details.

Ms. Wang Ye has been appointed as chairwoman of the Sanctions Risk Control Committee with effect from November 22, 2020. Please refer to the announcement dated November 22, 2020 for details. Ms. Wang Ye has been appointed as the director of Maple Bio from September 4, 2020, chairwoman of Legend Biotech Corporation from November 6, 2020, the director of Nanjing Legend Biotech Co., Ltd. from February 4, 2021, the director of Legend Biotech HK Limited from March 6, 2021, the director of Legend Biotech (Netherlands) B.V. from March 6, 2021, the director of Legend Biotech Ireland Limited from March 6, 2021, and the director of Legend Biotech USA Inc. from March 6, 2021. Ms. Wang Ye is the trustee and president of Ren-Shiu Foundation, Inc.

Dr. Zhu Li has been appointed as an executive Director and the authorized representative of the Company with effect from November 22, 2020. Please refer to the announcement dated November 22, 2020 for details.

Dr. Zhang Fangliang has resigned from the position of chief executive officer of the Company and has been re-designated from an executive Director to a non-executive Director with effect from August 2020. Dr. Zhang Fangliang has further resigned from the positions of non-executive Director, chairman of the Board, chairman and member of the Nomination Committee, chairman and member of the Sanctions Risk Control Committee, and the authorized representative of the Company and from the position of the director of Legend Biotech Corporation with effect from November 22, 2020. Please refer to the announcements dated August 2, 2020 and November 22, 2020 for details. Dr. Zhang Fangliang has resigned from the position of the executive director of Nanjing Legend Biotech Co., Ltd. with effect from February 4, 2021 and ceased to be the legal representative of Nanjing Legend Biotech Co., Ltd. on the same date. Dr. Zhang Fangliang has resigned from the position of the director of Legend Biotech Limited, Legend Biotech HK Limited, Legend Biotech (Netherlands) B.V., Legend Biotech Ireland Limited and Legend Biotech USA Inc. with effect from March 6, 2021.

Mr. Wang Luquan has been appointed as the chief executive officer and chairman of Xinhua Biological Pharmaceutical (Guangzhou) Co., Ltd.* (信華生物藥業 (廣州) 有限公司) since December 2020.

Mr. Pan Jiuan has been appointed as the chief executive officer of Ningbo Liangzhixing Culture Media Co., Ltd.* (寧波良知行文化傳媒有限公司) since January 2021 and resigned as the chief executive officer of Shanghai FastLink Door Co., Limited* (上海快聯門業有限公司) in December 2020.

Dr. Wang Xuehai has been appointed as an independent non-executive Director with effect from November 22, 2020. Please refer to the announcement dated November 22, 2020 for details.

Dr. Zhenyu (Patrick) Liu was appointed as chief executive officer of the Company with effect from August 2, 2020. Please refer to the announcement dated August 2, 2020 for details.

Saved as disclosed in this annual report, there had been no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules that required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As of December 31, 2020, 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 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 Listing Rules, are set out as follows:

Long positions in the ordinary Shares and underlying Shares of the Company as of December 31, 2020

Name of Director	Capacity/Nature of Interest	Number of Shares held/interested	Approximate Percentage of Shareholding (%)
Director			
Meng Jiange	Beneficial owner(Note 1)	2,678,838	0.14
Wang Ye	Interest in controlled corporation(Note 2), parties acting in concert(Note 3), beneficial owner(Note 4) and founder of a discretionary trust(Note 5)	944,684,581	48.36
Zhu Li	Beneficial owner(Note 6)	2,281,597	0.12
Wang Luquan	Interest in controlled corporation(Note 7), parties acting in concert(Note 3) and interests in spouse(Note 8)	944,684,581	48.36
Pan Yuexin	Beneficial owner(Note 9)	460,000	0.02
Wang Jiafen	Beneficial owner(Note 10)	270,000	0.01
Guo Hongxin	Beneficial owner(Note 11)	460,000	0.02
Dai Zumian	Beneficial owner(Note 12)	460,000	0.02
Pan Jiuan	Beneficial owner(Note 13)	270,000	0.01
Wang Xuehai (appointed as an executive Director with effect from November 22, 2020)	Beneficial owner(Note 14)	210,000	0.01
Chief Executive			
Zhenyu (Patrick) Liu (appointed as chief executive officer with effect from August 2, 2020)	Beneficial Owner(Note 15)	5,039,072	0.26

* The percentage has been calculated based on 1,953,283,180 Shares in issue as at December 31, 2020.

Notes:

(1) Meng Jiange held 400,000 underlying Shares under the RSA Scheme, 1,943,320 underlying Shares under the options conditionally granted to him under the Pre-IPO Share Option Scheme and 335,518 Shares.

(2) Wang Ye held approximately 10.26% 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.

(3) On August 14, 2008, Zhang Fangliang, Wang Ye and Wang Luquan entered into the GS Corp Shareholder Voting Agreement, whereby Zhang Fangliang, Wang Ye and Wang Luquan agreed to vote unanimously in the shareholder meetings of GS Corp and, contemporaneously, proxies were conferred by Wang Luquan and Wang Ye to Zhang Fangliang authorising Zhang Fangliang to vote and exercise all voting and related rights with respect to the shares that each of Wang Luquan and Wang Ye beneficially owned in GS Corp, which held 875,366,235 Shares as of December 31, 2020. On May 29, 2015, Wu Yongmei signed a proxy agreement whereby she conferred all her voting and related rights in relation to all the shares that she owned in GS Corp, i.e. 108,625,000 shares of GS Corp to Zhang Fangliang.

(4) Wang Ye held 68,016,194 underlying Shares under the options conditionally granted to her under the Pre-IPO Share Option Scheme and 664,152 Shares.

(5) 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 gave 460,000 shares of GS Corp to the Wang Trust on December 15, 2020, on the same day the Wang Trust transferred 20,125,600 shares of GS Corp to Wang Ye. The Wang Trust (through its trustee) held approximately 1.96% 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.

(6) Dr. Zhu Li held 200,000 underlying Shares under the RSA Scheme, 800,000 underlying Shares under the options conditionally granted to him under the Post-IPO Share Option Scheme and 1,281,597 Shares.

(7) As of December 31, 2020, Wang Luquan held approximately 22.76% in the issued share capital of GS Corp. Pursuant to the GS Corp Shareholder Voting Agreement and for the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in, all the Shares held by GS Corp.

(8) Wang Luquan is the spouse of Huang Lili. For the purpose of the SFO, Wang Luquan was deemed, or taken to be interested in all the Shares in which Huang Lili was interested, i.e. 638,000 Shares.

(9) Pan Yuexin held 460,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(10) Wang Jiafen held 270,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(11) Guo Hongxin held 460,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(12) Dai Zumian held 460,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(13) Pan Jiuan held 270,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(14) Wang Xuehai held 210,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme.

(15) Zhenyu (Patrick) Liu held 5,000,000 underlying Shares under the options granted to him under the Post-IPO Share Option Scheme, 10,750 underlying Shares under the RSA and 28,322 Shares.

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 Year.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

As of December 31, 2020, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares that 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 position in the ordinary Shares of the Company as of December 31, 2020

Name	Capacity/Nature of Interest	Number of Shares/ underlying Shares held/interested	Approximate Percentage of Shareholding (%)
GS Corp(Note 1)	Beneficial owner	875,366,235	44.82
Zhang Fangliang(Note 2) (Note 3)	Interest in controlled corporation, parties acting in concert and founder of a discretionary trust	944,684,581	48.36
Jin Weihong(Note 3)	Interest in controlled corporation, parties acting in concert and trustee	944,684,581	48.36
Hu Zhiyong(Note 4)	Interest in controlled corporation, parties acting in concert and trustee	944,684,581	48.36
Huang Lili	Beneficial owner, interest in controlled corporation and parties acting in concert	944,684,581	48.36

* The percentage has been calculated based on 1,953,283,180 Shares in issue as at December 31, 2020.

Notes:

(1) As of December 31, 2020, GS Corp is a company incorporated in the State of Delaware in the U.S. and owned as to approximately 37.47%, approximately 3.66%, approximately 22.76%, approximately 7.96%, approximately 2.07%, approximately 0.70%, approximately 0.42%, approximately 0.42%, approximately 11.10%, approximately 10.26%, approximately 1.95%, approximately 1.05% and approximately 0.18% by Zhang Fangliang, the Zhang Trust, Wang Luquan, Wu Yongmei, the Wu 2017 Trust(Note 5), the Wu 2019 Trust(Note 5), the Wu 2020 Separate Trust A(Note 5), the Wu 2020 Separate Trust B(Note 5), the Wu 2020 Trust(Note 5), Wang Ye, the Wang Trust, Mu Yingjun and Charity B, respectively.

(2) As of December 31, 2020, Zhang Fangliang held approximately 37.47% 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.

(3) On October 12, 2017, Zhang Fangliang set up 2017 Fang Liang Zhang Trust (the "Zhang Trust"), an irrevocable discretionary family trust, with his three children and their respective living issue as beneficiaries. Jin Weihong, the spouse of Zhang Fangliang, is the trustee of the Zhang Trust. The Zhang Trust transferred 40,251,200 shares of GS Corp to Zhang Fangliang on December 15, 2020. Jin Weihong, as the trustee of the Zhang Trust, held approximately 3.66% 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.

(4) 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 gave 460,000 shares of GS Corp to the Wang Trust on December 15, 2020, on the same day the Wang Trust transferred 20,125,600 shares of GS Corp to Wang Ye. Hu Zhiyong, as the trustee of the Wang Trust, held approximately 1.95% 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.

(5) On December 17, 2017, Wu Yongmei set up 2017 Wu Yongmei Trust (the "Wu 2017 Trust"). On October 31, 2018, Wu Yongmei set up 2018 Wu Yongmei Trust (the "Wu 2018 Trust"). On October 31, 2019, Wu Yongmei set up Yongmei Wu 2019 Trust (the "Wu 2019 Trust"). On October 28, 2020, the Wu 2018 Trust transferred 1,882,930 shares of GS Corp and 1,882,930 shares of GS Corp to Descendants' Separate Trust FBO A (the "Wu 2020 Separate Trust A") and Descendants' Separate Trust FBO L (the "Wu 2020 Separate Trust L"), respectively, under the Wu 2018 Trust. On October 30, 2020, Wu Yongmei set up Yongmei Wu 2020 Trust (the "Wu 2020 Trust") and serves as the initial trustee.

Save as disclosed above, as of the date of this annual report, the Directors have not been aware of any person who had interests or short positions in the Shares or underlying Shares that 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 and required to be kept pursuant to Section 336 of the SFO.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares.

PURCHASE, REDEMPTION, OR SALE OF THE LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the RSA Scheme purchased on the Stock Exchange a total of 5,550,000 shares of the Company at a total consideration of approximately HK$73.4 million (equivalent to approximately US$9.5 million) to satisfy the award of shares to selected employees pursuant to the terms of the rules and trust deed of the RSA Scheme.

TOP-UP PLACING

On June 5, 2018, the Company entered into a placing and subscription agreement with Genscript Corporation, one of the controlling shareholders of the Company (the "Vendor") and placing agents pursuant to which (i) the Vender completed a placing through placing agents 75,000,000 ordinary shares of the Company to certain placees at the price of HK$26.50 per share, and (ii) the Vender subscribed for an aggregate of 75,000,000 shares of the Company of HK$26.50 per share (the "Top-up Placing"). The net proceeds of the Top-up Placing is HK$1,971,702,660.50 (equivalent to approximately US$251.3 million). Please refer to the announcements of the Company dated June 4, 2018, June 5, 2018, June 8, 2018, June 13, 2018 and June 14, 2018 for details.

A detailed breakdown and description of the use of the net proceeds from the Top-Up Placing is set forth as follows:

Item	Unutilized amount as at January 1, 2020 US$ million	Utilized amount during the Reporting Period US$ million	Unutilized amount as at December 31, 2020 US$ million	Intended year of application[(Note 1)]
Building up CAR-T R&D and production facility in China, the U.S. and Europe	58.0	28.6	**29.4**	2021 to 2022
Building up the GMP manufacturing facilities for plasmid and biologics products	63.7	23.7	**40.0**	2021 to 2022
Total	121.7	52.3	**69.4**	

Note:

(1) The estimated schedule for utilizing the remaining proceeds is based on the best estimation made by the Group on future market condition and may change with the current market condition and future development.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

NON-COMPETING UNDERTAKINGS

The controlling shareholders of the Company, namely Zhang Fangliang, Wang Luquan, Wang Ye and GS Corp, or any of them (the "Controlling Shareholders"), have signed the deed of non-competition (the "Deed of Non-competition") dated December 7, 2015, pursuant to which, each of our Controlling Shareholders shall, and shall procure that their respective close associates and/or companies controlled by them (other than the Group) (i) not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm, or company, among other things, carry on, participate, or be interested or engage in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward, or otherwise) any activity or business that competes or is likely to compete, directly or indirectly, with the business of the Group referred to in the Prospectus and any other business from time to time conducted, carried on, or contemplated to be carried on by any member of the Group or in which any member of the Group is engaged or has invested, or which any member of the Group has otherwise publicly announced its intention to enter into, engage in, or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the "Restricted Activity"), (ii) provide all information requested by the Company that is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition, (iii) procure the Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through the annual report or by way of announcement(s) to the public, and (iv) make an annual declaration on compliance with its undertaking under the Deed of Non-competition in the annual reports of the Company as

our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The Company has received the annual confirmation of controlling shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the year ended December 31, 2020.

The independent non-executive Directors also reviewed the Controlling Shareholders' compliance with the non-competition undertakings. The independent non-executive Directors confirmed that the Controlling Shareholders were not in breach of the non-competition undertakings during the year ended December 31, 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2020, no executive Director, non-executive Director or any of their close associates had any interests in any business that competed or was likely to compete, either directly or indirectly, with the business of the Group under Rule 8.10(2) of the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2020, the Company had no connected transactions or continuing connected transactions that were required to be disclosed pursuant to the provisions under Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

During the year ended December 31, 2020, the Group donated US$367,000 to non-profit organisations for charitable and community purposes.

MATERIAL LEGAL PROCEEDINGS

As of December 31, 2020, the Group was not involved in any material litigation or arbitration, and no material litigation or claim was pending or threatened against the Group as far as the Directors were aware of.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results announcement for 2020 and the financial statements for the year ended December 31, 2020 prepared in accordance with the HKFRS.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining the highest standards of corporate governance practices. The Company has applied the principles set out in the Corporate Governance Code and the Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules. During the Reporting Period, save as disclosed in the Corporate Governance Report, the Company has complied with the mandatory code provisions of the CG Code. For details, please refer to the Corporate Governance Report on pages 75 to 88 in this annual report.

SUFFICIENCY OF 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 annual report.

CONSULTING PROFESSIONAL TAX ADVISERS

The Company's shareholders are recommended to consult professional advisers if they are in any doubt as to the tax implications of the purchasing, holding, disposal of, buying, and selling of the Company's Shares or exercising any rights concerned.

AUDITORS

Ernst & Young, Certified Public Accountants ("Ernst & Young") was appointed as the auditors to audit the financial statements prepared in accordance with the HKFRS for the year ended December 31, 2020. Ernst & Young shall retire at the forthcoming AGM and is eligible and has offered itself for re-election. The resolution regarding the re-appointment of Ernst & Young as the auditors of the Company will be proposed at the forthcoming AGM.

BUSINESS REVIEW PURSUANT TO SCHEDULE 5 OF THE COMPANIES ORDINANCE (CHAPTER 622 OF THE LAWS OF HONG KONG)

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its results and financial position are provided in the section headed "Management Discussion and Analysis" from pages 12 to 24 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include commercial, operational and financial risks.

Commercial Risks

The Group is facing keen competition with other life-science research and application services and products providers. To maintain the Group's competitiveness, the management uses cost leadership strategy as well as diversifies its business strategies to outperform other competitors.

Operational Risks

The Group is exposed to operational risks associated with each business segment of the Group. To manage the operational risks, the senior management regularly reviews the Group's operations to ensure that the Group's risks of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed. The senior management is also responsible for overseeing the implementation of the Group's risk management policies and procedures and shall report any irregularities to the Directors and seek directions. The Group emphasises ethical values and prevention of fraud and bribery. In this regard, the Directors consider that the Group's operational risks are effectively mitigated.

Financial Risks

The principle financial risks are set out in the note 43 to the financial statements in this report headed "Financial Risk Management Objectives and Policies".

IMPORTANT EVENTS

On March 31, 2020 and April 11, 2020, Legend entered into purchase agreements with nine purchasers (the "Purchasers"), pursuant to which Legend issued and the Purchasers purchased 20,591,629 series A preference shares of Legend at an aggregate consideration of approximately US$160.5 million (the "Purchases"). In connection with the Purchase, the Company provided a guarantee to the Purchasers to secure certain guaranteed obligations, including without limitation, the redemption payment amount applicable to each Purchaser upon the exercise of their redemption right. The aggregate amount of the guaranteed obligations shall not exceed US$220,000,000. The guarantee was terminated upon the consumption of Legend IPO (as defined below). Please refer to the announcements of the Company dated March 31, 2020, April 14, 2020 and April 16, 2020 for details.

On June 5, 2020 (New York time), Legend was listed on the Nasdaq Global Select Market by initial public offering of American depositary Shares (the "Legend IPO"). Please refer to the announcements of the Company dated March 10, 2020, March 16, 2020, May 14, 2020, May 26, 2020, May 29, 2020, June 5, 2020 and June 7, 2020 for details.

In June 2020, a special dividend was declared by the Company to the shareholders of the Company by way of a distribution in respect of the Legend IPO. Such dividend was settled by the Company with cash in an aggregate of approximately HK$51.2 million (equivalent to approximately US$6.5 million) and the restricted American depositary shares of Legend in July 2020. Please refer to the announcements of the Company dated June 7, 2020 and July 23, 2020 and the circular dated June 26, 2020 for details.

On August 4, 2020, the China Center for Drug Evaluation ("CDE"), National Medical Products Administration has recommended Breakthrough Therapy Designation (the "BTD") for ciltacabtagene autoleucel (cilta-cel; LCAR-B38M CAR-T cells), an investigational B-cell maturation antigen targeted chimeric antigen receptor T-cell therapy being studied for the treatment of adults with relapsed or refractory multiple myeloma. Please refer to the announcement dated August 6, 2020 for details. The BTD has been granted on August 13, 2020 after the publicity period on the website of the CDE, making cilta-cel the first investigational product to obtain BTD in China.

On September 17, 2020, the Authority of the PRC inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understands to be the Investigation relating to suspected violations of import and export regulations under the laws of the PRC. In connection with the Investigation, Dr. Zhang Fangliang ("Dr. Zhang"), the then Company's chairman, non-executive Director and one of our controlling shareholders, was under "resident surveillance" in the PRC. On November 21, 2020, Dr. Zhang was arrested for the suspected offence of smuggling goods prohibited by the import and export regulations under the laws of the PRC. On February 9, 2020, Dr. Zhang was released on bail by the Authority. As of February 9, 2020, two other employees ("Relevant Employees") had been arrested and no formal charges had been pressed against either of Dr. Zhang or the Relevant Employees. Please refer to the announcements of the Company dated September 21, 2020, November 22, 2020 and February 9, 2021 for details.

On November 6, 2020 (New York time), GS USA, a direct wholly-owned subsidiary of the Company, was granted the Emergency Use Authorization (EUA) for the cPass™ SARS-CoV-2 Neutralization Antibody Detection Kit (the "cPass™ Kit") by the U.S. Food and Drug Administration ("FDA"). On February 5, 2021 (New York time), GS USA further received authorization by the Center for Biologics Evaluation and Research of FDA for use of the cPass™ Kit in convalescent plasma screening. The cPass™ Kit is the first commercially available test and the first FDA authorized test that specifically detects COVID-19 neutralizing antibodies in patient samples without the use of live virus. Please refer to the announcements of the Company dated November 8, 2020 and February 7, 2021 for details.

On December 5, 2020 (New York time), Legend made an announcement at the 62nd American Society of Hematology (ASH) Annual Meeting and Exposition on the latest data results from the combined Phase 1b/2 CARTITUDE-1 study (NCT03548207) of ciltacabtagene autoleucel (cilta-cel). Please refer to the announcements of the Company dated November 5, 2020 and December 6, 2020 for details.

On December 14, 2020, Legend announced that the FDA cleared Legend's Investigational New Drug (the "IND") application to evaluate LB1901, the investigational autologous CAR-T therapy, for the treatment of adults with relapsed or refractory T-cell lymphoma (TCL). Under the IND, Legend will initiate a Phase 1 clinical study for LB1901 in the U.S.. Please refer to the announcement of the Company dated December 14, 2020 for details.

On December 21, 2020, Legend announced the initiation of a rolling submission of a Biologics License Application to the FDA for ciltacabtagene autoleucel (ciltacel), which is based on results from the pivotal Phase 1b/2 CARTITUDE-1 study which evaluated the efficacy and safety of cilta-cel in the treatment of patients with relapsed and/or refractory multiple myeloma. Please refer to the announcement dated December 21, 2020 for details.

In December 2020, the fifth milestone relating to the clinical development of cilta-cel in the U.S. have been achieved according to the terms and conditions of the collaboration and license entered into among Legend USA., Legend Ireland ("Legend USA/Ireland") and Janssen. Legend USA/Ireland is entitled to the milestone payment in the amount of US$75,000,000 payable by Janssen for the fifth milestone. Please refer to the announcements of the Company dated December 21, 2020 for details.

SUBSEQUENT EVENTS

As at December 31, 2020, the subsequent events of the Group are set out in note 46 to this report headed "Subsequent Event".

FUTURE DEVELOPMENT

Looking forward to 2021, the Group continues to optimize research and development, go-to-market and capital allocation strategies:

Keeping our customers first, we will continue to improve our DNA synthesis throughput and cost efficiency through increased automation. We will also continue to expand our life-science offerings in plasmid preparation, protein expression, antibody production, oligo, etc. to provide one-stop services to customers.

Looking forward, we would also continue to upgrade our life-science products and services in order to serve the translational medical research and commercial market. This means we will invest in GLP and GMP capabilities globally and in R&D efforts in order to capture this much larger market.

For our biologics CDMO business, we have firmly established ourselves as a leading player in China for both antibody drug development and gene & cell therapy (GCT) services. We will continue to leverage our strength and experience in upstream discovery services to attract customer projects and convert them into downstream development and manufacturing projects. We will also continue to invest in capacity expansion to better meet our clients' need as existing and new projects move from earlier development phase into later phase and commercial manufacturing stage.

In synthetic biology, we are committed to grow Bestzyme into a leading industrial enzyme solution provider by continuing invest in R&D to expand our addressable market and lower our production cost.

In cell therapy, we will continue to push forward Legend's pipeline programs through our internal resources as well as collaborations with external partners. We will continue to explore the advantage of conducting investigator-initiated trials (IIT) in China and selectively combine those with IND trials approved by FDA in the U.S. to generate clinical data in a fast and cost effective way.

Overall, at the group level, we will continue to optimize our capital structure, improve operational efficiency, and make selective investments to incubate high potential projects with risk-adjusted return in mind.

FINANCIAL KEY PERFORMANCE INDICATORS

A summary of the results and assets and liabilities of the Company for the last five financial years is set out on page 8 in this annual report. This summary does not form part of the audited consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is always committed to shaping a resource-conserving, environmentally-friendly and safety-oriented enterprise.

As a responsible enterprise, the Company has taken concrete actions to advance green development and conducted lean management to improve energy conservation.

In the Year, GenScript has set up the electric power optimization team and launched the transformation programs for energy conservation of LED lights, dehumidification of air-conditioners, light switches in public areas, timing control of ventilation units, etc., which is expected to save electricity and maintenance costs of RMB190,000 per year.

Energy conservation not only has a positive effect on environmental protection, but also serves as an effective way to control business costs. The Company attaches great importance to resource management and utilization. In the Year, the Company introduced industrial steam in place of steam boilers, which reduced natural gas consumption, lowered operating costs, and reduced direct emissions of exhaust pollutants.

In terms of production environment management, the Company has not only complied with cleaner production requirements, but also further implemented emission reduction measures and plans. In accordance with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Company's Solid Waste Management Procedures, waste generated during operations is properly classified and disposed. Waste is classified by package and identification. The Company has improved efforts to fully recycle and reuse recyclable waste and achieved the annual goal of reducing hazardous waste by 10% in terms of weight and output compared with the year of 2019.

The Company has been fulfilling social responsibility on the basis of "enhancing environment awareness, promoting energy conservation and emission reduction, and intensifying pollution control".

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has implemented procedures to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the year under review, the Group has complied in all material respects, to the best of our knowledge, with the SFO, the Listing Rules, and other relevant rules and regulations.

RELATIONSHIPS WITH EMPLOYEES

The Group encouraged the employees to enhance their competitiveness and ability to innovate new services and products. This raised the momentum in the research and development as well as marketing efforts to increase the revenue of the Group. Through solidifying its business foundation and adjusting its operation directives, the Group is striving to forge ahead under adverse conditions to allow us to achieve new progresses in terms of production and operation under a positive and hardworking work culture.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We had 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. The Group strives to "Make Research Easy" by offering life-science research and application services and products for conducting fundamental life-science research, translational biomedical research, and early stage pharmaceutical development. Our synthetic biology products are used by industry users, such as those in the food and feed industries. In 2020, we expanded the range of our services and products and developed new customer accounts. The total number of customers has increased by approximately 19.4% compared to the total number of customers in 2019.

Owing to our vast array of services and products, we procure a wide variety of raw materials from a large number of suppliers for our business segments. As of December 31, 2020, we had a total of approximately 486 suppliers of different raw materials for our production that are mostly located in China. In 2020, we maintained sound relationships with our suppliers such that we could meet business challenges and comply with regulatory requirements, thereby deriving cost effectiveness and reaping long term business benefits.

By order of the Board

Meng Jiange

Chairman and Executive Director

Hong Kong, March 26, 2021

The Board is pleased to present this corporate governance report as set out in the annual report of the Company for the year ended December 31, 2020.

CORPORATE GOVERNANCE PRACTICES

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

Save as disclosed in this corporate governance report on page 75 regarding the deviation from code provision A.2.1 of the CG Code, the Company has complied with all the applicable code provisions as set out in the CG Code during the year ended December 31, 2020 and up to the date of this annual report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions, and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees, including the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Sanctions Risks Control Committee (together, the "Board Committees"). The Board has delegated responsibilities to the Board Committees as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the shareholders at all times.

Board Composition

As of the date of this annual report, the Board comprises ten members, consisting of three executive Directors, three non-executive Directors, and four independent non-executive Directors as set out below:

Executive Directors

Mr. Meng Jiange (Chairman)
Ms. Wang Ye (President)
Dr. Zhu Li (Chief Strategy Officer) (resumed as a chief strategy officer with effect from November 22, 2020)

Non-executive Directors

Dr. Zhang Fangliang (resigned with effect from November 22, 2020)
Dr. Wang Luquan
Mr. Pan Yuexin
Ms. Wang Jiafen

Independent Non-executive Directors

Mr. Guo Hongxin
Mr. Dai Zumian
Mr. Pan Jiuan
Dr. Wang Xuehai (appointed with effect from November 22, 2020)

The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

During the year ended December 31, 2020 and up to the date of this annual report, the Board met the requirements of Rules 3.10 (1) and 3.10 (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers each of them to be independent.

None of the Directors has any personal relationship (including financial, business, family, or other material/relevant relationship) with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge, and professionalism to the Board for its efficient and effective functioning. Non-executive directors and independent non-executive directors have been participating in Board meetings, taking the lead where potential conflicts of interests arise. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, and the Nomination Committee.

With regards to the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments, as well as their identities and the times involved in the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules, and regulations. The Company also arranges regular seminars to provide Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Group's performance, position and, prospects to enable the Board as a whole and each Director to discharge their duties.

According to the records kept by the Company, all the existing Directors have received continuous and professional development and training, as set out below, with an emphasis on the roles, functions, and duties of directors in listed companies:

	Attending internal briefings or trainings, participating seminars, or reviewing materials
Name of Directors	
Executive Directors	
Mr. Meng Jiange	✓
Ms. Wang Ye	✓
Dr. Zhu Li (appointed with effect from November 22, 2020)	✓
Non-executive Directors	
Dr. Zhang Fangliang (resigned with effect from November 22, 2020)	✓
Dr. Wang Luquan	✓
Mr. Pan Yuexin	✓
Ms. Wang Jiafen	✓
Independent non-executive Directors	
Mr. Guo Hongxin	✓
Mr. Dai Zumian	✓
Mr. Pan Jiuan	✓
Dr. Wang Xuehai (appointed with effect from November 22, 2020)	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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. The Company deviated from this provision from January 1, 2020 to August 2, 2020 because Dr. Zhang Fangliang had been assuming the roles of both the chairman of the Board and the chief executive officer of the Company since the date of listing up to August 2, 2020, on which he resigned from the position of the chief executive officer of the Company. The Board believed that resting the roles of both the chairman and the chief executive officer in the same person during the above period had helped to ensure consistent leadership within the Group and to enable more effective and efficient overall strategic planning for the Group. Although these two roles were performed by the same individual, certain responsibilities were shared with the executive Directors to balance power and authority. In addition, all major decisions were made in consultation with members of the Board, as well as with the senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board is of the view that the balance of power and safeguards in place were adequate during the above period.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a fixed term of three years commencing from December 1, 2018 for Mr. Meng Jiange and Ms. Wang Ye, and that from November 22, 2020 for Dr. Zhu Li, which can be terminated before the expiration of the term by not less than six months' notice in writing served by either party on the other.

Each of the non-executive Directors has signed an appointment letter with the Company for a term of three years. The effective date of the appointments of Dr. Wang Luquan and Mr. Pan Yuexin is August 24, 2018, and that of Ms. Wang Jiafen is November 26, 2018. Their appointments are subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years. The effective date of the appointment of Mr. Guo Hongxin and Mr. Dai Zumian is August 24, 2018, that of Mr. Pan Jiuan is November 26, 2018, and that of Dr. Wang Xuehai is November 22, 2020. Their appointments are subject to termination in accordance with their respective terms.

Save as disclosed above, no Director has entered into a service contract with the Group that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Pursuant to the Articles, at each annual general meeting, one-third of the Directors shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, and making recommendations to the Board on appointment, re-election, and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly. Notices of not less than 14 days are given for regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other committee meetings, a reasonable notice will be given in writing to all committee members. The meeting notice states the time and place of the meeting. The agenda and accompanying board committee papers will be provided at least three days before the date of meeting to ensure that Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and Board committee meetings will be recorded in sufficient details for the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

During the Reporting Period, the Board held 9 meetings on March 27, 2020, June 5, 2020, June 29, 2020, July 31, 2020, August 29, 2020, September 20, 2020, November 10, 2020, November 22, 2020 and December 28, 2020 to cover the following aspects:

(a) to consider and review the financial statement for the year ended December 31, 2019 and for the six month period ended June 30, 2020 and its publication, and matters concerning corporate governance and management;

(b) to discuss overall strategies of the Group, monitor the financial and operational performance and approve the annual and interim results of the Group;

(c) to consider and approve the external investments;

(d) to consider and discuss matters concerning the implementation of the Share Options Schemes, the RSA Scheme and the 2020 Restricted Shares Plan; and

(e) to consider and discuss matters relating to sanctions, audition and remuneration.

The attendance of the individual Directors at the Board meetings mentioned above and the general meeting is set out below:

Name of Directors	Attended/Eligible to attend	
	Board meetings	General Meeting
Mr. Meng Jiange	9/9	1/1
Ms. Wang Ye	9/9	1/1
Dr. Zhu Li (appointed with effect from November 22, 2020)	1/1	0/0
Dr. Zhang Fangliang (resigned with effect from November 22, 2020)	5/8	1/1
Dr. Wang Luquan	9/9	1/1
Mr. Pan Yuexin	9/9	1/1
Ms. Wang Jiafen	9/9	1/1
Mr. Guo Hongxin	9/9	1/1
Mr. Dai Zumian	9/9	1/1
Mr. Pan Jiuan	9/9	1/1
Dr. Wang Xuehai (appointed with effect from November 22, 2020)	1/1	0/0

The Company's external auditors also attended the annual general meeting of the Company held on June 1, 2020.

During the Reporting Period, the chairman of the Board met with the independent non-executive Directors without the presence of the other Directors to discuss and obtain independent advice on the business operations and financial condition of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Group, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors, and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Group's senior management independently.

The daily management, administration, and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance shall be the collective responsibility of the Directors and their corporate governance duties include:

1. to develop and review the Group's policies and practices on corporate governance;

2. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

3. to develop, review, and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

4. to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

The duty to review and monitor the training record and continuous professional development of the Directors and senior management of the Group has been delegated to the Remuneration Committee.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, including an executive Director, namely, Mr. Meng Jiange (chairman of the Nomination Committee with effect from November 22, 2020) and two independent non-executive Directors, namely, Mr. Pan Jiuan and Mr. Dai Zumian.

The principal duties of the Nomination Committee include:

1. to review the structure, size, composition, and diversity (including but not limited to the gender, age, educational background or professional experience, skills, knowledge, and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or reappointment of members of the Board and succession planning for members of the Board; and

5. to review the board diversity policy as appropriate to ensure its effectiveness and if necessary, recommend any revision suggestions to the Board for consideration and approval.

In fulfilling its functions, the Nomination Committee has been provided with sufficient resources by the Company to seek independent professional advice to perform its responsibilities.

The written terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

Nomination Policy

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill, and ability to commit time and effort to carry out the duties. The recommendations of the Nomination Committee will then be put to the Board for decision. The Nomination Committee should report back to the Board on its decisions or recommendations after every Nomination Committee meeting.

Board Diversity Policy

Pursuant to code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Company believes that board diversity can enhance the performance of the Company. After taking into account the Company's own business model and specific needs and upon the recommendation of the Nomination Committee, the Board has adopted a board diversity policy to ensure that in designing the Board's composition, board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

During the Reporting Period, the Nomination Committee held two meetings on March 27, 2020 and November 22, 2020. The specific agenda of the Nomination Committee covered the following aspects:

(a) to review the structure, size, composition and diversity of the Board;

(b) to review the Company's board diversity policy;

(c) to assess the independence of the independent non-executive directors of the Company;

(d) to make recommendation to the re-election of Directors; and

(e) to make recommendation to the appointment of new Directors.

The attendance of the individual committee members at the Nomination Committee meeting mentioned above is set out below:

Name of Committee Member	Committee meetings attended/eligible to attend
Mr. Meng Jiange (chairman) (appointed as chairman and member with effect from November 22, 2020)	0/0
Dr. Zhang Fangliang (resigned with effect from November 22, 2020)	1/1
Mr. Dai Zumian	2/2
Mr. Pan Jiuan	2/2

Remuneration Committee

The Remuneration Committee currently comprises three members, including two independent non-executive directors, namely, Mr. Guo Hongxin (chairman of the Remuneration Committee) and Mr. Dai Zumian, and an executive director, namely, Ms. Wang Ye.

The principal duties of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of members of the Board and senior management members and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to make recommendations to the Board of the remuneration of members of the Board who are non-executive Directors;

3. to consult with the chairman and/or the chief executive officer of the Company and, where deemed appropriate, senior management members about the Committee's proposals relating to, and have the delegated responsibility to determine, the specific remuneration packages for the employment of all members of the Board who are executive directors and all senior management members, including benefits in kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to review and approve performance-based remuneration payable to members of the Board who are executive directors, and senior management members by reference to corporate goals and objectives resolved by the Board from time to time and other measures of performance;

5. to review and approve any compensation additional to that provided for in the remuneration packages determined according to paragraph 3 above, which is payable to members of the Board who are executive directors and senior management members in connection with any loss or termination of their offices or appointments to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

6. to review and approve compensation arrangements relating to dismissal or removal of members of the Board who are executive directors and senior management members for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

7. to ensure that no member of the Board or the senior management members or any of his/her associates is involved in deciding his own individual remuneration;

8. to determine the participation of members of the Board who are executive directors, senior management members, and other employees of the Company in any discretionary employee share or other share-based incentive schemes operated by the Company;

9. to determine targets for any Company-wide performance-related payments for members of the Board who are executive directors and senior management members and individual incentives for members of the Board who are executive directors and senior management members;

10. to determine the provision of benefits and settlement of other provisions under the terms of the service agreements or otherwise of members of the Board who are executive directors and senior management members where these are stated as being at the discretion of the Board;

11. to operate and administer the Company's share option schemes or other incentive schemes (if any) as may be from time to time adopted by the Company; and

12. to review and monitor the training record and continuous professional development of the Directors and senior management of the Company.

In fulfilling its functions, the Remuneration Committee has been provided with sufficient resources by the Company to seek independent professional advice to perform its responsibilities.

The written terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held 6 meetings on March 27, 2020, June 29, 2020, August 29, 2020, November 10, 2020, November 22, 2020 and December 28, 2020 to cover the following aspects:

(a) to determine the remuneration policy and structure of Directors and senior management and evaluate and make adjustment to the remuneration of the Directors and senior management; and

(b) to consider and discuss matters concerning the implementation of the Share Option Schemes and RSA.

The attendance of the individual committee members at the Remuneration Committee meeting mentioned above is set out below:

Name of Committee Member	Committee meetings attended/eligible to attend
Mr. Guo Hongxin (chairman)	6/6
Ms. Wang Ye	6/6
Mr. Dai Zumian	6/6

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2020 are set out in note 8 to the financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the senior management members (excluding the Directors) for the year ended December 31, 2020 is within the range below:

Range of remuneration	Number of Persons
Between HK$2,000,000 and HK$4,000,000 (equivalent to approximately US$257,000 and US$514,000)	2
Between HK$6,000,000 and HK$8,000,000 (equivalent to approximately US$762,000 and US$1,028,000)	1
Between HK$10,000,000 and HK$12,000,000 (equivalent to approximately US$1,285,000 and US$1,542,000)	1

Audit Committee

The Audit Committee currently comprises three members, namely, Mr. Dai Zumian (chairman of the Audit Committee), Mr. Pan Jiuan and Mr. Guo Hongxin, all being independent non-executive Directors. The principal duties of the Audit Committee are (i) to review and monitor the Company's financial reporting system, risk management, and internal control systems, (ii) to maintain the relations with the external auditor of the Company, and (iii) to review the financial information of the Company. The Audit Committee has been provided with resources required for it to discharge its function properly.

The written terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held three meetings on March 27, 2020, June 29, 2020 and August 29, 2020. The specific agenda of the Audit Committee covered the following aspects:

(a) to consider and review the financial statement for the year ended December 31, 2019 and for the six-month period ended June 30, 2020; and

(b) to review audit planning, the financial reporting system, compliance procedures, internal audit function, risk management and internal control system and procedures and re-appointment of external auditor.

The requirements for Environment, Social and Governance Reporting were duly noted by the Audit Committee.

The attendance record of each committee member of the said Audit Committee meeting held by the Company is set out in the table below:

Name of Director	Committee meetings attended/eligible to attend
Mr. Dai Zumian (chairman)	3/3
Mr. Guo Hongxin	3/3
Mr. Pan Jiuan	3/3

The Audit Committee met the external auditors once on August 29, 2020 without the presence of the executive Directors nor non-executive Directors.

Sanctions Risk Control Committee

The Sanctions Risk Control Committee is headed by Ms. Wang Ye (chairwoman with effect from November 22, 2020), Mr. Meng Jiange, Dr. Eric Wang, and Mr. Shawn Wu as members.

The principal duties of the Sanctions Risk Control Committee include:

1. to effectively monitor the activities that may be subject to economic sanctions;

2. to provide guidance on the compliance with the relevant policies and procedures in relation to economic sanctions;

3. to provide guidance on the compliance with contractual covenants including those made in connection with the Global Offering and Listing; and

4. to ensure the establishment of effective policies in relation to economic sanctions.

During the Reporting Period, the Sanctions Risk Control Committee held five meeting on January 3, 2020, March 6, 2020, May 6, 2020, July 9, 2020 and September 4, 2020 to cover the following aspects:

(a) to discuss items regarding any sanctions related risks on the Group's commercial or other business activities;

(b) to review the activities that may be subject to economic sanctions;

(c) to review relevant policies and procedures in relation to economic sanctions;

(d) to review guidance on the compliance with contractual covenants;

(e) to review the use of proceeds from the global offering; and

(f) to review internal control policies and procedures with respect to the sanction risks.

The attendance record of each committee member of the Sanctions Risk and Control Committee meeting held by the Company is set out in the table below:

Name of Committee Member	Committee meetings attended/eligible to attend
Ms. Wang Ye (appointed as chairwoman with effect from November 22, 2020)	5/5
Mr. Meng Jiange	5/5
Dr. Eric Wang	1/5
Mr. Shawn Wu	2/5
Dr. Zhang Fangliang (resigned with effect from November 22, 2020)	5/5

The Sanctions Risk Control Committee has reviewed the sales of the Group to the Sanctioned Countries (as defined and disclosed in the Prospectus) for the year ended December 31, 2020 and the relevant legal opinions from the Company's legal adviser as to international sanctions laws to monitor the Group's exposure to risks of sanctions violations.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended December 31, 2020, which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions, and prospects.

The Directors have not been aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the independent auditors of the Company regarding their reporting responsibilities for the audit of the consolidated financial statements of the Company is set out in the independent auditors' report on pages 161 to 165 in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control systems to safeguard shareholders' investments and the Company's assets and reviewing the effectiveness of such systems on an annual basis. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and each only provides reasonable and not absolute assurance against material mistreatment or loss.

The Group's internal audit department plays an important role in monitoring the internal governance of the Company. The major duties of internal audit department are to regulate and review the internal control and compliance related matters of the Company and conduct comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The Group's internal audit department performs regular evaluation on the effectiveness of risk control measures taken by each operating department and issues an appraisal report which shall be submitted to our Audit Committee for approval.

The Audit Committee has received an internal control report prepared by the internal audit department during the Year and has considered that the internal control system of the Group remains effective and no material issue is required to be brought to the Board's attention. The Board considers the risk management and internal control systems effective after review.

The Company has established a risk management process, pursuant to which each operating department is required to identify any significant risks associated with their work and corporate strategies of the Company. Based on the assessment of the identified risks in terms of their likelihood and potential impact, the Company prioritises and pairs each risk with a mitigation plan. Furthermore, any emergencies are required to be reported, evaluated and managed in time to mitigate the impact.

The Group has established a three-tier risk control corporate structure in implementing our internal control and risk management policies and procedures. First, the Board and the senior management oversee and manage the overall risks associated with our business operations. Second, the Audit Committee provides the Directors with an independent review of the effectiveness of the financial reporting process, internal controls, and risk management system of the Group. Third, the Group's internal audit department supervises the implementation of our risk management policy at the corporate level and organises an annual audit progress for regularly evaluating the effectiveness of the risk management and internal control measures taken by each operating department and issues an appraisal report which shall be submitted to the Audit Committee for approval.

The Board is responsible for the management of inside information. Without the approval of the Board, the Company prohibits any inside information from being disclosed to the public.

AUDITORS' REMUNERATION

For the audit of the Group's consolidated financial statements for the year ended December 31, 2020, the total remuneration paid or payable to the Company's external auditors, Ernst & Young, for audit and audit related services amounted to US$576,000.

COMPANY SECRETARY

Ms. Wong Wai Ling was appointed as the company secretary of the Company with effect from August 24, 2015. She has over 11 years of experience in providing company secretarial services in Hong Kong. Ms. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for assisting listed companies in professional company secretarial work. Ms. Wong is an associate of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Wong's primary corporate contact person at the Company is Mr. Meng Jiange, the chairman of the Board.

Ms. Wong has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules for the year ended December 31, 2020.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and the understanding of the Group's business, performance, and strategies. The Company also recognises the importance of the timely and non-selective disclosure of its information, which will enable shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides an opportunity for shareholders to communicate directly with the Directors. The chairman of the Company and chairmen of the Board Committees, or in their absence, their duly appointed delegates will attend the annual general meeting to answer shareholders' questions. The external auditors of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditors' report, accounting policies, and auditors independence.

To promote effective communication, the Company adopts a shareholders' communication policy that aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website at www.genscript.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING EXTRAORDINARY GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS

In accordance with the Articles, extraordinary general meetings shall also be convened on the requisition of one or more Shareholders' holdings, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

With regards to proposing a person for election as a director, the procedures are available on the website of the Company.

Shareholders who intend to put forward their inquiries about the Company to the Board could email their inquiries to our Investor Relations Department at the email address: investorrelations@genscript.com. The Company will not normally deal with verbal or anonymous inquires.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of the Company were adopted by the Company on December 7, 2015 and became effective on the Listing Date. There is no significant change in the Company's constitutional documents during the Reporting Period.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Overview

This report is the fifth Environment, Social and Governance (hereinafter referred to as "ESG") Report published by GenScript Biotech Corporation (hereinafter referred to as "GenScript", "the Company", or "we"), which discloses information annually on our responsible governance, innovation and research, product quality, client service, employee development, workplace health and safety, environmental protection, animal care and community feedback.

Basis for compiling the report

This report is compiled in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as "Guide") published by Hong Kong Stock Exchange Limited. Information is intended to disclose environmental, social and governance issues, for the relevant parties and shareholders. The content of this report is determined by a set of established procedures, including identifying and prioritizing the stakeholders, identifying and prioritizing ESG issues, collecting relevant metrics and verifying the reported quantitative metrics.

Reporting scope and boundary

The content and metrics reported in this document cover GenScript Biotech Corporation and its subsidiaries. The data contained within this report covers January 1 through December 31, 2020, unless otherwise noted, the currency involved in the report is in USD and density data are calculated based on revenue disclosed in GenScript's annual report.

Source of data and assurance of reliability

The data and case studies reported in this document are prepared based on our statistical reports and other internal documents. The Board hereby confirms that there are no false or misleading statements made in this report. The Board takes full responsibility for the authenticity, accuracy and completeness of this report.

Board approval

Upon review by the management, this report was approved by the Board on March 26, 2021.

SPECIAL COLUMN: ACTIONS AGAINST COVID-19

As the COVID-19 pandemic continues to spread around the world, the mutation found in many cities creates more uncertainties for the pandemic itself and the pandemic prevention tasks become even tougher. GenScript remains deeply concerned with the global public and supports our clients and partners worldwide. Adhering to the corporate mission of "Making People and Nature Healthier through Biotechnology", GenScript has taken a series of actions against the pandemic due to its business nature and social responsibility, including the provision of COVID-19 testing services, involvement in the drug and vaccine R&D, and donation of emergency supplies to medical institutions and communities. In the fight against COVID-19, GenScript fulfilled its mission in its own way.

During the reporting period, some of our employees stepped up with dedication and perseverance during the pandemic. Their heroic deeds should be remembered and celebrated by all GenScript people.

Dr. Li Feng, General Manager of Shanghai Bestzyme:

Li sent the "EHS Warning" email in time, which gave time for our pandemic prevention efforts.

Feng Guoming, Senior Manager of Nanjing Oligo Dept.:

Feng and his team remained at posts on the frontline and rapidly delivered products meeting quality and quantity requirements. They worked against time to facilitate virus diagnosis and vaccine development.

Fu Xiaojuan, Supervisor of Nanjing Gene Production Dept.:

As the leader of the gene production emergency team, Fu gave up her vacation days and worked overnight with the team to ensure order production and delivery.

Song Min, intern of Plasmid Production Dept.:

Confronted with the pandemic, Song chose to return to work and took on her job responsibilities.

Jinan Strain Team:

Against all odds, Jinan Strain Team returned to work early from hundreds of miles away to secure strain production.

EHS team:

The team implemented safety control measures, including disinfection and temperature checks, to assure safety after re-opening.

Administrative Team:

The team duly performed duties and used their best efforts to provide logistics support (dining, sanitation, and accommodation) for employees working amid the outbreak.

IT Team:

The team developed the "Daily Health Registration" system and "Canteen Food Delivery" mini-program amid the outbreak. They responded to remote work requests, supporting production and office work.

HR team:

Abiding by the government instructions, the HR team promptly developed the salary and holiday policies to assure safe and orderly production. The team followed up on "Daily Health Registration", kept staff updated on policies, and offered optimum services.

Logistics & Warehouse team:

The team worked on domestic/international shipping, ensured urgent shipment of donated supplies, and met the needs of customers.

Race against COVID-19 on the front line

"Those who share the same goal will win and those who weather the same challenge will prosper." There are no bystanders in times of crisis. Amid the outbreak, GenScript immediately dove into the R&D of reagents for COVID-19 testing according to detection information published by WHO and the Chinese Center for Disease Control and Prevention (China CDC). The Company also provided a large number of synthesized probes and oligos for test kit production. During the 2020 Spring Festival holiday, GenScript adjusted the production schedule to make sure that the production line of raw material worked at full blast.

Dr. Frank Fan, Chief Scientific Officer and Co-founder of Legend, and his team worked on the rapid development project for the therapeutic drug for 2019-nCoV to screen and develop efficient nano antibodies targeting the virus. The candidate antibodies can be applied to antibody drugs, test kits, and other supporting products. Nanjing GenScript and Nanjing Legend Biotech Co., Ltd. received funds from Jiangsu Development and Reform Commission for the nucleic acid testing reagent development project and the rapid development project for therapeutic drug for 2019-nCoV respectively.

GenScript stepped up in the fight against COVID-19, leveraged its advantages, secured adequate production and supply of testing materials, and rapidly delivered high-quality products and services to support COVID-19 research. GenScript duly fulfilled its social responsibility as a biopharmaceutical company and demonstrated the Daring Spirit featuring courage, commitment and endeavor.

Fearing not the want of armor, for mine is also yours to wear

At the early outbreak of the pandemic, all people were concerned about the shortage of medical supplies and protective equipment. A call for support from tier-3 and tier-4 cities in affected areas drew GenScript's attention. GenScript immediately took action and spent RMB 500,000 in urgently purchasing much-needed medical supplies and protective equipment worldwide. GenScript donated medical resources to suburban areas struggling with medical resources and appealed for more attention to the needs of those places.

As the pandemic spread globally, GenScript provided cPass™ sVNT Kit, first-in-the-world kit that can rapidly and effectively detect SARS-CoV-2 neutralizing antibodies, facilitating reopening worldwide. The test results will be of great help to governments in guiding the resumption of work since it is extremely useful for quick and reliable surveillance to determine how widely a population has gained immunity to SARS-CoV-2 virus.

Seeing the light at the end of the tunnel as the battle against COVID-19 scored victory

Amid the outbreak of COVID-19, GenScript secured adequate production and supply of testing materials, helped clients accelerate the R&D of anti-virus drugs, and purchased and donated emergency supplies worldwide. Given that GenScript actively combated against the virus, GenScript's efforts, responsibility, commitment were recognized by the public.

GenScript was awarded the title of Key Enterprises for COVID-19 Prevention and Control by the Ministry of Industry and Information Technology. GenScript also won the Anti-epidemic Contribution Award from Hubei Federation of Industry and Commerce and Hubei Provincial Chamber of Commerce. GenScript published more than 40 related articles in the mainstream media, which were republished and covered in nearly 2,000 news articles at home and abroad. This enhanced our brand awareness and influence.

Moreover, thanks to our advantage of scale and presence across industry chains, despite a downturn in the labor market, the Group saw a steady rise in workforce and a substantial increase in overall output YoY. Due to remarkable contributions to stabilizing local employment, the Group received the subsidies for stabilizing employment and the special grant for structure adjustment of industrial enterprises from Human Resources and Social Security Bureau.

In the future, GenScript will continue to uphold the Daring Spirit of courage, commitment and endeavor, fulfill corporate social responsibility, promote sustainable business development, take on the social role of a responsible enterprise, and make contributions to human health.

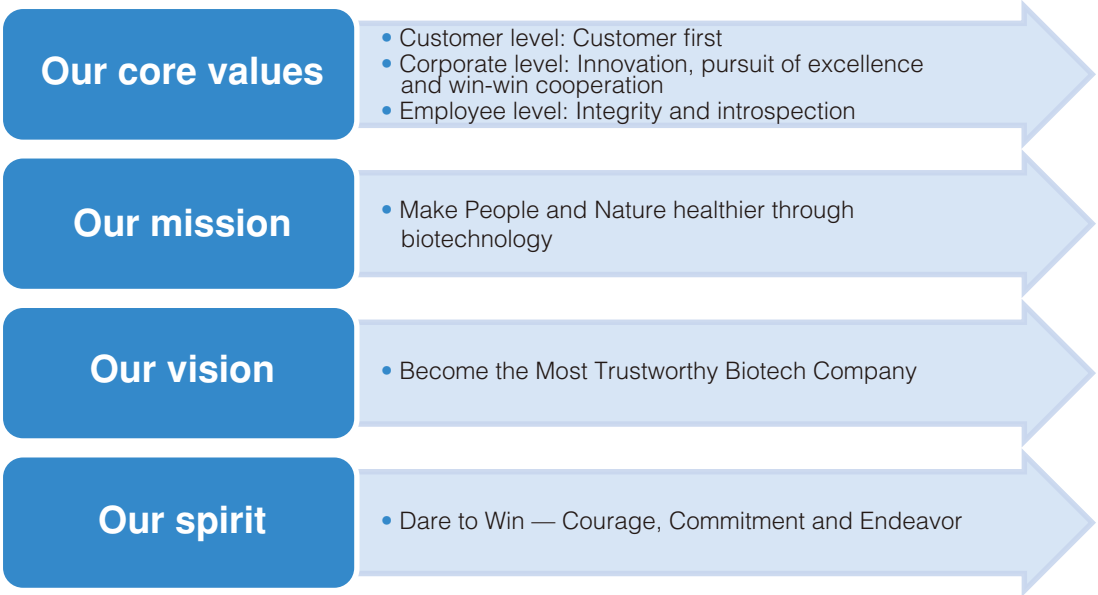
I. RESPONSIBILITY AND PERSEVERANCE

1.1 About Us

GenScript Biotech Corporation (stock code: HK01548) is a globally renowned biotech company established in 2002 as well as the leading provider of life science research and application services and products. GenScript applies proprietary gene synthesis technology to various fields from basic life science research to translational biomedical development, industrial synthetic products, and cell therapeutic solutions. Headquartered in Nanjing, GenScript has an established global presence across Greater China, North America, Europe and Asia Pacific. We offer premium, convenient, and cost-effective products and services to over 300,000 customers from over 160 countries and regions around the world. We stick to core values by giving top priority to customer demand.

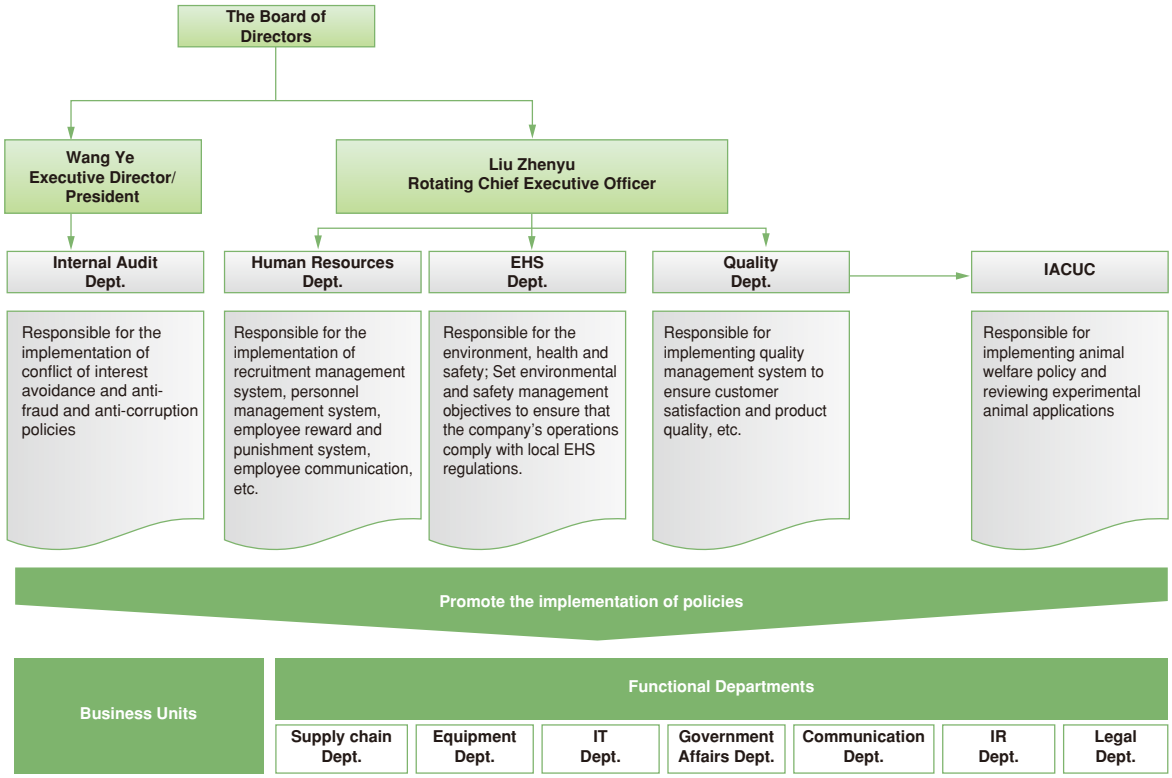
Over the last 18 years, GenScript has adhered to the corporate mission of “Making People and Nature Healthier through Biotechnology” and upheld the sustainable development philosophy centering on pioneering & innovation, constant changes, people orientation and win-win cooperation. We build on our four major platforms, including (i) a leading contract research organization (CRO) platform; (ii) a contract development and manufacturing organization (CDMO) platform; (iii) an industrial synthetic products platform and (iv) an integrated global cell therapy platform, accelerating our global presence. We focus on continuous internal management transformation in a bid to achieve high-quality end-to-end delivery. We are committed to boost the development of the biotechnology and biopharmaceutical industries while accelerating strategic collaboration with partners.

GenScript firmly believes that an outstanding enterprise should not only provide high-quality products but also strive to make the world a better place. While the COVID-19 becomes a global threat, considering our social responsibility and core business lines, we accelerated the R&D of several related scientific and technological projects by leveraging innovative technology and expertise in the war without smoke. During the reporting period, we benchmarked against global leading enterprises and advanced management in terms of organizational structure, competitive advantages in technology, production standards and capacity, management standards, and investment in talents and talent pools. We work to fulfill corporate responsibility and vision in a profound and extensive way and strive to become the most trustworthy biotech company.



1.2 ESG Management

A sound ESG management system serves as the assurance for competitive corporate responsibility. The Company has further integrated ESG responsibility philosophy and business strategy so as to improve the ESG responsibility management system and ensure sustainable development of the Group at the structure and system level. The ESG management system led by the Board of Directors is responsible for reviewing the alignment of ESG's strategic position with corporate development orientation. The ESG Working Committee, led by Rotating CEO Dr. Liu Zhenyu and President Ms. Wang Ye as the core backing of the ESG governance system, is responsible for turning the corporate ESG strategy into a workable scheme; the ESG working group composed of the Internal Audit Department, Human Resources Department, EHS Department, Quality Department, and experts of Institutional Animal Care and Use Committee (IACUC) as the major player will adopt reliable measures to put the scheme into place, facilitate other functional departments and business units to work on it and regularly report to the management.



Attaching great importance to the corporate management system and comprehensive risk management and controls, GenScript has established a three-tier framework for corporate risk control, that is, implement internal controls, implement risk management policies and procedures, and regularly audit the effectiveness of related systems. Specifically, the Board of Directors and senior management are responsible for supervising and managing overall risks related to business operations; the Audit Committee is responsible for the effectiveness of

financial reporting procedures, internal control and risk management systems while providing independent audit opinions to directors; Internal Audit Dept. is responsible for supervising the implementation of risk management policies at the company level, organizing annual audits to regularly evaluate the effectiveness of risk management and internal control measures adopted by every operation department, releasing and submitting evaluation reports to the Audit Committee for approval. During the reporting period, we launched a key project — "Optimizing Internal Control System". Phase 1 covered engineering, procurement and finance modules. By establishing and executing Risk and Control Matrices (RCM) and walk-through tests on each module, we identified and evaluated business problems and internal control risks to ensure healthy, stable and sustainable development of GenScript.

1.3 Operational Compliance

Lawful governance and operational compliance lay the foundation for sustainable business development. GenScript has always adhered to the principles of honesty and business ethics. GenScript has constantly improved stable business operations in an effort to create a standard, compliant, transparent and healthy development model.

- **Business ethics**

  Compliance with laws and regulations and business ethics is the groundwork for corporate development. GenScript puts compliance, honesty and business ethics as basic requirements for business operations. GenScript strictly complies with the *Company Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Basic Norms of Enterprises Internal Control*, the *Interim Provisions on the Prohibition of Commercial Bribery*, the *Foreign Corrupt Practices Act* and other relevant laws and regulations. During the reporting period, GenScript improved and updated the *Business Conduct Guidelines* both in Chinese and in English, the *Audit Accountability Management Measures*, the *Avoidance of Conflicts of Interest and Anti-fraud Management Policy*, the *Engineering Anti-Fraud Rules*, and the *Management Policy for Rules and Regulations* in order to foster a sound compliance management system. Furthermore, we raised the moral standards of employees by building a better culture of compliance. We organized training on the code of professional ethics and company compliance standards to maintain a favorable environment for business ethics and enhance GenScript's business credibility.

- **Integrity development**

  Integrity is an important guarantee of healthy business development while honesty and compliance are the basic requirements to improve the professional quality and business ethics of employees. We proactively respond to the national anti-corruption policies, constantly learn from good anti-corruption practices of enterprises inside and outside the industry, and make integrity and compliance publicity and education a regular routine. GenScript firmly opposes bribery and corruption of any form. During the reporting period, no lawsuits against corruption took place at GenScript.

During the reporting period, in order to shape honest and pragmatic personality of employees, we held 23 training sessions on business ethics for new employees, 3 training programs for middle managers, 3 training programs for supervisors, and 2 training programs for successors at the primary level. In addition, in December 2020, we organized business ethics study and examinations for all employees, covering 3,882 participants.

Training on business ethics

GenScript joined Trust and Integrity Enterprise Alliance

During the reporting period, we joined the Trust and Integrity Enterprise Alliance and worked with peers to promote integrity and compliance in business operations and to create corporate culture featuring honesty and integrity. The Alliance helped us learn how to build an anti-corruption system from outstanding enterprises and motivated us to stick to the mission of good-faith operation, never cross the redline, and strengthen internal anti-corruption governance. In the future, we will work with other member enterprises to empower anti-corruption and anti-fraud efforts with technology, create a business environment of good-faith operation, and showcase Chinese enterprises' philosophy and efforts regarding honesty, transparency, openness and win-win cooperation.

- **Privacy protection**

Information security and privacy protection is the key to operational compliance and also one of the core competencies of a modern enterprise. GenScript always prioritizes information security and privacy protection in day-to-day risk management and processes personal data according to the laws, regulations and ethics of the region where the business operates. GenScript has improved systems, strengthened technology and raised awareness to enhance overall information security and privacy protection.

We have revised the *Information Security Management Policy*, upgraded the network hardware and policies, reduced the security threats caused by human or natural factors to the confidentiality, integrity, and availability of the Company's information, and promoted effective information security protection. During the reporting period, we evaluated areas for improvement of information security from multiple dimensions and implemented appropriate improvement schemes. During the reporting period, there was no confirmed information leakage and theft, or loss of customer data at GenScript.

Data leakage	• Classification of e-documents • Independent R&D to further control internal computer operations
Vulnerability detection	• Use professional tools to scan and repair vulnerabilities of online systems
Multi-factor authentication	• Multi-factor authentication of all employees to ensure the security of account access

During the reporting period, in view of potential information security incidents, GenScript made multi-dimension improvements and built a variety of channels for fast reporting of security incidents and general incidents. We have set up a global service center for incident response and handling around the clock. We reported information security incidents to the information security team and the team systematically analyzed, reviewed and addressed those incidents. Besides, the information security team regularly reviewed logs of each intranet account, identified risky operations through data analysis, and implemented corresponding response solutions.

While independently establishing and improving the management mechanism of information security and privacy protection, GenScript also learned best practices from peers and introduced safer information software to protect the privacy of the Company and clients. During the reporting period, we introduced Microsoft's cloud security feature and combined its AAD[1] and Enterprise Mobility Security (EMS) features to identify account statuses of our employees around the world. Once risky operations from unauthorized persons are discovered, the system will automatically activate multi-factor authentication or otherwise prevent potential risks.

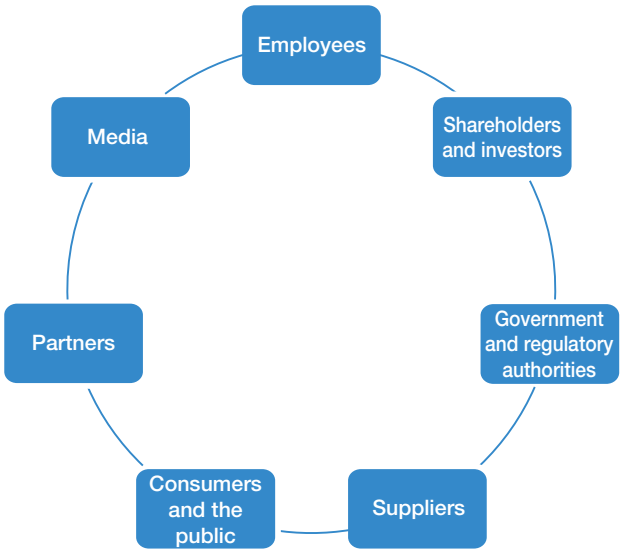
1 Azure Active Directory (AAD): Microsoft's cloud-based identity and access management service, which helps employees/users/administrators access external and internal resources.

1.4 Responsibility Identification

GenScript is committed to integrating the concept of sustainable development into the Company's operation. While performing its economic responsibility, GenScript also steps up to its social responsibility. With responsible corporate behavior, we wish to deliver services and products beneficial to the community and human society and fulfill our mission of "Making People and Nature Healthier through Biotechnology".

- **Stakeholder identification and communication**

  Stakeholders are companions in an enterprise's history. Working with stakeholders provides long-term impetus for sustainable development of an enterprise. GenScript highly respects and values opinions and suggestions of all stakeholders and has established a two-way transparent communication mechanism. During the reporting period, we identified the stakeholder groups who can make decisions and have an impact on the Company, including employees, shareholders and investors, government and regulatory authorities, suppliers, consumers and the public, partners, media, etc. We collect issues of concerns to stakeholders, incorporate their feedback into ESG strategy, and evaluate how the ESG strategy works in routine procedures.



We maintain communication with stakeholders through online activities, social media, face-to-face interviews and other channels. During the reporting period, due to the impact of COVID-19, we mostly communicated with stakeholders online; we focused on intensive and extensive communication, enabled stakeholders to learn more about us from multiple dimensions, and developed a favorable communication mechanism.

During the reporting period, we participated in many strategy meetings of listed companies held by brokers at home and abroad and kept track of the latest trends in the capital market, and enhanced targeted and timely communication. Also, we invited investors and analysts to visit the Company and communicated with the management, and understood their expectations. Furthermore, in order to constantly enhance investors' satisfaction and strengthen disclosure compliance, we also took concrete actions to achieve win-win cooperation and harmonious development.

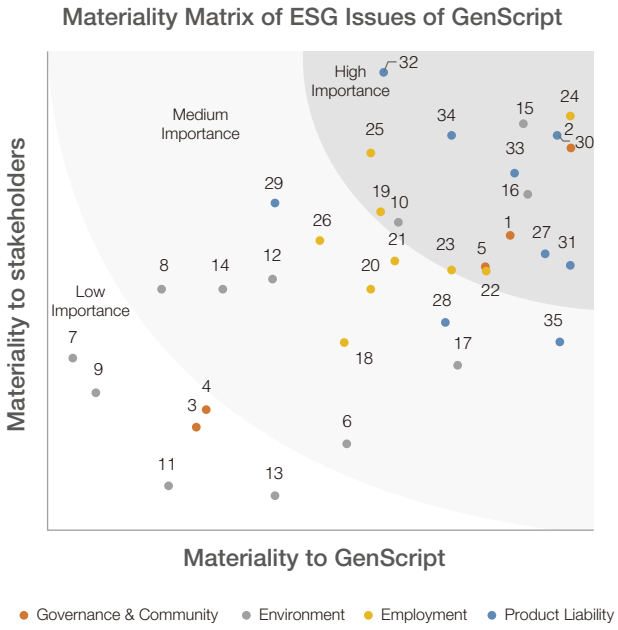
Improving communication with investors	• Introduced a new roadshow supplier and launched investor meetings virtually in results and business updates, reducing costs by about 50%; • Recorded key meetings to ensure timely release through the Company's official website and broker channels after the meeting.
Enhancing communication with analysts	• Lauched quarterly meetings with analysts; • Communicated quarterly result guidance and business updates with analysts.
Increasing investors' recognition of corporate value	• Published 8 articles on multiple myeloma; • Increased investors' recognition of value through the WeChat official account.

- **Materiality assessment**

To fully understand each stakeholder's feedback on our response to ESG issues and ESG disclosure, we assessed and analyzed the materiality of ESG issues so as to provide proactive and targeted response to stakeholders' concerns in this report. The assessment is performed in the following two phases:

Identify potential material issues	Through media analysis, peer benchmark analysis and review of other relevant documents, we identify potential material issues that can reflect the impact of the Company's business on the economy, environment and society, or affect stakeholders' assessment and decision-making on the Company.
Prioritize potential material issues	Through interviews with stakeholders, we understand the priorities of stakeholders, develop a materiality matrix and identify material issues accordingly.

Based on the ESG issues in 2019, the Company identified 17 ESG issues of high importance, 12 ESG issues of medium importance and 6 ESG issues of low importance through the above assessment process. Based on features of business operations, management status and expectations of stakeholders, all ESG issues of 2020 are listed in the table below. Issues of high importance are highlighted and will be revealed in detail in this report.



No.	Classification	Environmental, Social and Governance Issues	No.	Classification	Environmental, Social and Governance Issues
1	Governance and community	**Engagement of the Board of Directors in ESG**	18	Employment	Working hours and holidays
2		**Operational risk management**	19		**Compensation & benefits**
3		Assessing and considering the suppliers' performance of social and environmental responsibility	20		Fair recruitment and non-discrimination
			21		Fair promotion and reward mechanism
4		Supporting community development	22		**Compliance with labor regulations**
5		**Anti-corruption**	23		**Employee care and retention**
6		Domestic waste	24		**Health and safety**
7	Environment	Packaging materials	25		**Training and Development**
8		Energy	26		Prohibition of child labor and forced labor
9		Reducing carbon footprint	27	Product liability	**Technology innovation**
10		**Exhaust emissions**	28		Maintaining customer health and safety
11		Water resource consumption	29		Labeling with clear and true product information
12		Sewage treatment and discharge			
13		Avoiding impacts on the ecological environment	30		**Respecting intellectual property rights**
14		Industrial responsibility	31		**Compliance with product liability and service regulations**
15		**Hazardous waste**	32		**Product query, after-sales service and feedback mechanism**
16		**Compliance with environmental regulations**			
17		Safeguarding laboratory animal care	33		**Protecting customer privacy**
			34		**Enhancing product and service quality**
			35		Protecting biosecurity

II. R&D: PIONEERING AND INNOVATION

Sticking to the mission of "Making People and Nature Healthier through Biotechnology", GenScript firmly believes that investment in talent pool and R&D will eventually help us fulfill our mission. GenScript also upholds the Daring Spirit featuring courage, commitment and endeavor and pioneering and innovative spirit. GenScript is committed to promoting the development of the pharmaceutical industry and benefiting more patients. During the reporting period, GenScript continued to invest heavily into R&D and innovation and won public recognition and acclaim for its efforts to drive pharmaceutical innovation.

Driving progress in the pharmaceutical industry and playing an exemplary role in innovation

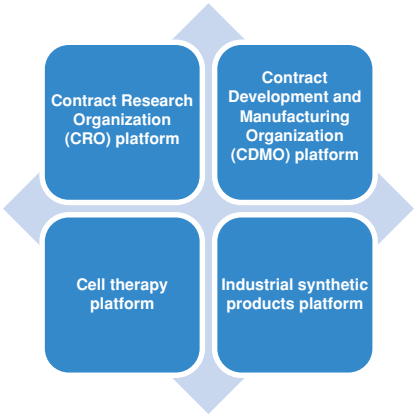
Nanjing Legend Biotech Co., Ltd. landed in the "China Biopharmaceutical Industry Innovation List" and was honored the Kunpeng Award in September 2020	**Nanjing Legend Biotech Co., Ltd. ranked among "2020 Top 100 Innovative Chinese Pharmaceutical Enterprises" in November 2020**
In September, the 2020 Nanjing International New Medicine and Healthcare Innovation Investment Summit, hosted by Nanjing Municipal People's Government, took place in Nanjing, and unveiled the "China Biopharmaceutical Industry Chain Innovation List", where Nanjing Legend Biotech Co., Ltd., a subsidiary of GenScript, was on the list and won the Kunpeng Award. The award honors enterprises that have made exceptional contributions to China's innovation power in the biopharmaceutical industry. After years of efforts and planning, Nanjing Legend Biotech Co., Ltd. has established unique advantages in innovation. As the backbone of the industry, Nanjing Legend Biotech Co., Ltd. has been well recognized and contributed greatly to the innovation ecosystem of the industry.	In November 2020, Nanjing Legend Biotech Co., Ltd. ranked among "2020 Top 100 Innovative Chinese Pharmaceutical Enterprises" at the 2020 China Healthcare Summit of Entrepreneurs, Scientists and Investors for the Company's extraordinary innovation capabilities and excellent achievements in new drug R&D. This selection focused on foundation, process and results of innovation. Nanjing Legend Biotech Co., Ltd. was recognized by the industry for its innovation capabilities.
	

GenScript ranked among " Top 100 Companies in China's Pharmaceutical Industry"

In July 2020, the list of "2019 Top 100 Companies in China's Pharmaceutical Industry" was unveiled, where GenScript ranked among "Top 20 CRO (including CDMO) Enterprises in China". This selection focused on innovation power (R&D investment as a composite indicator) and professional influence of pharmaceutical companies. GenScript was recognized by the industry for its innovation power.

2.1 Innovation in R&D

With its presence in four business segments, including the contract research organization (CRO) platform, the biologics contract development and manufacturing organization (CDMO) platform, the global cell therapy platform, and the industrial synthesis product platform, GenScript has come a long way to get on the fast track, building a strong foundation for breakthroughs.



GenScript's four business segments

In 2020, we integrated internal resources, established professional platforms, increased investment in R&D, advanced the four business segments, and strived to get bigger and stronger. GenScript continuously invested in talent pipelines, innovation, R&D, infrastructure and other core competencies that are essential to the longevity of an enterprise, building underlying strength and bolstering GenScript's solid progress.

GenScript launched new CDMO brand, GenScript ProBio, at the 1st Cell and Gene Therapy Industry Development & Cooperation Forum

In November 2020, the 1st GenScript Cell and Gene Therapy Industry Development & Cooperation Forum concluded in Shanghai. At the Forum, GenScript announced the integration and upgrading of its original contract development and manufacturing organization (CDMO) platform and launched its new CDMO brand, GenScript ProBio (formerly known as BDBU).

GenScript ProBio is committed to providing end-to-end services from discovery to commercialization, professional solutions and efficient processes based on its professional solutions and reliable quality. Our highly-experienced management team and 16 years of experience will accelerate the launch of cell therapy products and thus contribute to the development of the biologics industry.

With the advent of the era of cell and gene therapy, GenScript ProBio will continue to support process optimization and production in line with international quality standards through a well-established global supply chain network, so as to empower more partners worldwide and benefit patients around the world soon.

GenScript ProBio licensed global rights to develop and commercialize an SMAB bispecific antibody molecule to REMD Biotherapeutics Inc.

In September 2020, GenScript ProBio and REMD Biotherapeutics Inc. ("REMD") announced that GenScript has again licensed global rights to REMD to develop and commercialize a SMAB (Single-Domain Antibody fused to Monoclonal Ab) bispecific antibody molecule. REMD is a U.S. biotechnology company committed to creating and developing innovative protein-based biologics.

This is an expansion of the strategic collaboration between the parties announced in April 2019 for the development of multiple novel bispecific antibody candidates. In the collaboration, GenScript ProBio allowed REMD to use its SMAB bispecific antibody platform to develop novel cancer immunotherapy drugs and select bispecific antibody drug candidates, so as to expand the novel antibody drug product pipelines of REMD and benefit patients around the world with more effective therapies.

Initium Therapeutics used GenScript ProBio's Berkeley Lights Beacon platform to expand its antibody drug pipelines through strategic collaboration with GenScript ProBio

In December 2020, GenScript ProBio and Initium Therapeutics announced that Initium Therapeutics would accelerate its antibody drug development using GenScript ProBio's Berkeley Lights Beacon platform. Initium Therapeutics is a U.S. biotechnology company committed to providing antibody-based therapeutics for patients who are suffering from incurable and rare diseases.

Through the collaboration, GenScript ProBio's Berkeley Lights Beacon platform would help expand the therapeutic antibody pipelines in fibrosis, immuno-oncology and hemophilia. GenScript ProBio's Single B cell screening platform dramatically expedites and enables unparalleled B cell diversity. We will continue to fuel Initium's first-rate research capabilities and look forward to further collaboration to bring diverse treatment options to patients with rare diseases.

Legend and Noile-Immune Biotech announced agreement on advancing the next generation of T cell products for the treatment of solid tumors

In May 2020, Legend, a subsidiary of GenScript and a global clinical stage biopharmaceutical company engaged in the discovery and development of novel cell therapies, announced that Legend and Noile-Immune Biotech, Inc. ("Noile") have entered into a license agreement whereby Legend will have the right to develop CAR-T and/or TCR-T cell therapies incorporating Noile's PRIME (proliferation-inducing and migration-enhancing) technology secreting both IL-7 and CCL19. The PRIME technology is designed to improve proliferation and trafficking into solid tumors of both engineered CAR-T and/or TCR-T cells, as well as the patient's own T cells.

Utilizing Noile-Immune's innovative technology platform, Legend aimed to combine cell therapy for solid tumor with Noile's innovative technology to develop cutting-edge therapeutic candidates in our mission to deliver highly impactful treatments to patients living with cancer. This has also demonstrated our commitment to developing innovative therapies for patients with solid tumor.

During the reporting period, GenScript launched cooperation programs with the state and local governments, leveraged advanced technology of the industry and its featured products, and delivered innovative solutions, supporting the development of the biopharmaceutical industry.

MIIT "2020 Public Service Platform for Industrial Technology — Public Service Platform for the Pharmaceutical Sector" project

In July 2020, the "Public Service Platform of Pharmaceutical Research Services for Chemical and Biological Medicines" jointly launched by Casymchem (Tianjin), Nanjing GenScript and North China Pharmaceutical Group secured the bid for "2020 Basic Public Service Platform for Industrial Technology — Public Service Platform for the Pharmaceutical Sector" project of the Ministry of Industry and Information Technology (MIIT). The Project is intended to establish a public service platform of pharmaceutical research services for chemical and biological medicines.

Legend was selected for National Support Program for Key Science and Technological Projects on Significant New Drug Development

In the *Notice on Approved Project under 2019 Implementation Plan of National Support Program for Key Science and Technological Projects on Significant New Drugs Development* released by China National Health Development and Research Center of National Health Commission, "New Drug R&D and Multi-center Clinical Study of Chimeric Antigen Receptor (CAR) Modified T cell for Multiple Myeloma Treatment" jointly filed by Legend, The Second Affiliated Hospital of Xi'an Jiaotong University and Ruijin Hospital Affiliated to School of Medicine, Shanghai Jiao Tong University, was selected for National Support Program for Key Science and Technological Projects on Significant New Drug Development. This is another recognition earned for Legend's CAR-T cell therapy.

Jiangsu Province Strategic Emerging Industry Program	Special Fund for Modern Service Industry of Jiangsu Province Development and Reform Commission
In 2020, Legend's GMP engineering project (GMP-based R&D and industrialization of CAR-T core technology) and Jiangsu GenScript's plasmid vector process research service platform for cell therapy were granted special fund from Jiangsu Province Strategic Emerging Industry Program, representing a milestone in the development of GenScript's industry innovation platform. The fund aims to support the innovation and application of biological technology and new pharmaceutical industry in Jiangsu Province, and GenScript was granted the fund in recognition of its overall corporate strength, R&D capability and industrial position.	In July 2020, Nanjing GenScript's independent project, "the public platform for life science R&D services" and Jiangsu GenScript's project, "the integrated platform for innovative biologics R&D services" were granted the Special Fund for Modern Service Industry of Jiangsu Development and Reform Commission. As a leading provider of producer services in Jiangsu Province, GenScript has made every effort to build a public platform for life science R&D services as well as an integrated platform for innovative biologics R&D services and explored suitable new business forms and models. Also, as a leader in the biopharmaceutical industry, GenScript has played a part in improving China's status in global biopharmaceutical industry.

GenScript believes that, only by platform capability building and platform expansion can we empower global new drug development and contribute to the global healthcare sector. Therefore, we have continuously made those efforts. During the reporting period, we continued to expand the antibody drug platform and our capacity. We developed a comprehensive and refined technology transfer process and a parameter conversion model for mainstream equipment, and implemented all-round risk control during technology transfer, spurring the development of the antibody drug industry.

GenScript ProBio's biologic antibody drug facility was launched for capacity expansion

In order to advance the development of the antibody drug industry and enhance GenScript's competitive edge in the biologic antibody drug platform, GenScript ProBio commissioned a biologic antibody drug facility and held an opening ceremony in Nanjing in November 2020. This GMP antibody manufacturing center is primarily intended for GMP manufacturing in phase 1 and phase 2 clinical trials. The manufacturing center has a GMP warehouse, a stock solution production area and a high-standard QC lab, which comply with the U.S. and Chinese regulatory requirements for the manufacturing of clinical samples.

Our production lines are physically segregated and equipped with independent air conditioning system. This allows the production of multiple samples without cross-contamination. The facility is leading in the industry in terms of its design and capacity. The facility supports the production of disposable GMP clinical samples.

2.2 Further Value Creation

Significant investment in R&D results in extraordinary products. With greater investment in R&D and innovation, GenScript has continuously upgraded products, improved the efficiency of new drug development, brought more biologics products to patients, and supported our patients and partners in life extension and value innovation.

During the reporting period, Legend's chimeric antigen receptor T-cell (CAR-T) therapy for the treatment of multiple myeloma (MM) received a number of clinical trial approvals. Clinical studies showed that LCAR-B38M/JNJ-4528[2] may deliver deep and durable antitumor responses in relapsed and/or refractory multiple myeloma (R/R MM) patients with a manageable safety profile. This will bring benefits to patients suffering from RR.

2 LCAR-B38M identifies the investigational product in China and JNJ-4528 identifies the investigational product being studied in countries outside of China, which are representative of the same CAR-T cell therapy.

February 28, 2020	The European Medicines Agency (EMA) granted Orphan Drug Designation (ODD) to JNJ-68284528 for the treatment of multiple myeloma.
June 5, 2020	Legend's IPO on Nasdaq was the biggest for a biotech company in 2020. This was mainly credited to impressive clinical study data of its LCAR-B38M/JNJ-4528 BCMA-targeting CAR-T cell therapy program as well as cooperation with Johnson & Johnson. Of course, Legend would not have achieved this without the assistance and support from state and local governments and policies.
June 23, 2020	Japan's Ministry of Health, Labor and Welfare (MHLW) granted Orphan Drug Designation (ODD) to JNJ-68284528 for the treatment of multiple myeloma.
July 2020	South Korea's Ministry of Food and Drug Safety (MFDS) granted Orphan Drug Designation (ODD) to JNJ-68284528 for the treatment of multiple myeloma.
August 13, 2020	National Medical Products Administration (NMPA) and the Center for Drug Evaluation (CDE) granted Breakthrough Therapy Designation (BTD) to LCAR-B38M, which was the first among Chinese drugs.

At the 2020 ASCO Annual Meeting in the U.S., Legend presented the results from its ongoing CARTITUDE-1 clinical trial in the U.S.. According to Phase 1 data, in 29 patients treated with our BCMA CAR-T product JNJ-4528, 100% achieved objective response (ORR) and 86% achieved stringent complete response (sCR) at a median follow-up of 9 months. At a median follow-up of 11.5 months, 22 of 29 patients remained progression free. Compared to the data presented at ASH in 2019, the study demonstrated that JNJ-4528 may deliver deep and durable antitumor responses in patients with relapsed and/or refractory multiple myeloma, which was the best result presented in the industry worldwide.

While building on its competitive advantages on autologous products, Legend has also developed multiple allogeneic products and moved them forward into the clinical trial phase. Currently, there are two ongoing clinical study programs. The first one is a global Phase 2 multicenter study called CARTITUDE-2, which will evaluate the efficacy of JNJ-4528 on MM patients in multiple clinical setting. The second one is a global Phase 3 randomized study called CARTITUDE-4, which will enroll about 400 patients to evaluate the efficacy of JNJ-4528 on refractory patients who have received 1-3 lines of therapy and are refractory to lenalidomide. Legend will continuously move forward clinical development and commercialization of CAR-T therapy and accelerate its launch process, enabling more patients to benefit from innovative treatment options as soon as possible.

Legend went IPO, creating more value for patients and shareholders

On June 5, 2020, Legend Biotech Corporation (Legend), a subsidiary of GenScript and a global clinical-stage biopharmaceutical company engaged in the discovery and development of novel cell therapies for oncology and other indications, announced its initial public offering on the Nasdaq under the ticker symbol "LEGN" for total gross proceeds of approximately $423.8 million. Legend became the first CAR-T company that went public. Morgan Stanley, J.P. Morgan and Jefferies are serving as joint book-running managers for the offering.

The spin-off of Legend will enhance the brand value, market influence, and financial flexibility for both Legend and GenScript Biotech Corporation, driving the development of GenScript and Legend. After the spin-off, the funds raised will support Legend in its R&D and capability building for 2020 and 2021, facilitate the cell therapy business, and generate long-term returns for shareholders.

During the reporting period, GenScript ProBio made major breakthroughs in independent biologics R&D. GenScript ProBio has reached milestones in a wide range of biologics-targeting R&D programs, including agonists (such as 4-1BB, OX40 and CD40), tumor-targeting CD47 and B7H3 antibodies, as well as CD73 antibody and CD16a NK cell engager targeting the tumor microenvironment. Compared with positive control, antibodies developed by GenScript ProBio show higher bioactivity and lower toxicity.

2.3 Protection of Achievements

GenScript respects the efforts of every R&D staff member. The Company revised relevant policies from time to time and organized IPR training for the purposes of preventing intellectual property infringement. During the reporting period, the Company improved the management of corporate trade secrets and the confidentiality of technical information in line with the *Trade Secret Management Policy* and the *Technical Information Management Measures*. Also, GenScript developed and released the *Intellectual Property Reward Policy* for the purposes of protecting technical secrets and encouraging employees to innovate and transfer research achievements to patents. We developed IPR incentives for employees and offered cash bonuses to teams that have applied for patents, so as to encourage employee to innovate and proactively protect their intellectual property and achievements.

GenScript requires each employee to raise awareness of compliance and IPR. During the reporting period, we attended the 5th China Pharma Intellectual Property Summit in attempts to address problems and challenges the Company is facing. In addition, we organized training on patent application drafting and provided case study and Q&A to raise employees' awareness of IPR and improve their patent application drafting skills.

GenScript attended the 5th China Pharma Intellectual Property Summit

From October 14 to October 16, 2020, the 5th China Pharma Intellectual Property Summit took place in Shanghai and brought together more than 430 biotechnological practitioners from home and abroad, 4 of whom were from GenScript. At the summit, we exchanged views with different parties of the industry and deepened our understanding of patent term extension, patent linkage, patent circumvention in overseas market development, FTO, patent licensing strategy, domestic and international licensing and ownership confirmation standards for biopharmaceutical patents, and differences and judicial adjudication regarding such standards. This helped us reflect upon IPR challenges and problems we are facing.

Legend strengthened IPR protection

Split from GenScript in 2020, Legend has appointed personnel for patent protection and intellectual property management. Legend also streamlined internal policies and worked with external partners in order to protect its intellectual property and patents.

- By streamlining and amending IP policies, Legend optimized internal IP processes, enhanced IP team building, and developed and improved its patent archive classification and management system.
- Legend tightened law firm selection and management to ensure quality and on-time delivery. Also, Legend evaluated business capabilities of external agencies and enhanced cooperation with qualified agencies. By doing so, Legend was able to accelerate patent application and response to examination, and improve the quality and efficiency of patent licensing.
- Legend standardized the payment procedure for the maintenance fee and annual fee at home and abroad and entered into a service contract with CPA Global on reducing associated costs.

During the reporting period, Legend's patent application for products targeting multiple myeloma was under substantive examination in 30 designated countries/regions and made substantial progress. Legend has requested accelerated examination in both China and Japan. In November 2020, a relevant product patent application was granted under AU2017311089B2 in Australia, which provided extensive protection.

GenScript's patents in 2020

Patents approved in 2020: 16
Total patents: 116

III. QUALITY: PURSUIT OF EXCELLENCE

Adhering to the vision of becoming the most trustworthy biotech company and driven by the core value of customer first, GenScript works on procurement, production and R&D quality, and customer services to provide optimum and safe products and services. We work closely with our partners to build a sound industrial ecosystem and boost the development of China's cancer therapy industry and human health.

3.1 Responsible Procurement

GenScript attaches great importance to a collaborative supply chain and works to build a supply chain system in line with the Company's needs for sustainable development, so as to encourage the upstream and downstream enterprises to fulfill social responsibility. During the reporting period, GenScript updated and revised three internal policies, namely, the *Supplier Management Policy*, the *Procurement Management Policy* and the *Code of Conduct for Procurement Personnel*, for the purposes of standardizing the material, service and engineering procurement processes. We also revised and implemented nearly 20 standard operating procedures (SOPs) for the procurement of restricted materials, imported materials or equipment, GMP materials or equipment, etc. Moreover, we developed specific control requirements for precursor, explosive, highly toxic, narcotic, psychotropic and medical materials, materials restricted or prohibited from import, human genetic resources and other materials subject to regulatory control, imported materials and GMP materials. By doing so, we ensured that the procurement process and the products and services purchased are compliant with relevant laws and regulations as well as GenScript's internal rules, and improved the stability and efficiency of supply chain.

Procurement Management Policy	Supplier Management Policy	Code of Conduct for Procurement Personnel
• Strengthened the management of procurement process. The policy shall apply to all subsisdiaries of GenScript unless otherwise specified; • Added new procurement principles: no procurement without specifications or a purchase request and no acceptance or payment without purchase orders; • Specified the responsibilities of each department in the procurement process.	• Added principles of supplier management: early intervention, direct trading, safety and compliance. • Redefined registered supplier, potential supplier, qualified supplier and suppliers in the negative list; • Specified the process and elements of supplier selection and confirmation; improved the management details of qualified suppliers, including supplier performance and supplier classification.	• Upgraded as the Company's internal policy and optimized some details; • Specified requirements for personnel in functional departments in the procurement process, including principles of integrity, compliance, business entertainment, etc.

- **ESG management and risk identification of the supply chain**

GenScript remains open and transparent in improving ESG management of the supply chain. In addition to revising and updating policies from time to time, GenScript has tightened supplier qualification review, selected suppliers according to business ethics, environmental protection and reputation, strengthened new supplier onboarding management, and developed qualification requirements and standards for different suppliers. During the reporting period, GenScript improved the *Supplier Survey Form* and the *General Template for Qualification Assessment of Engineering Suppliers* and defined the assessment criteria for suppliers in terms of corporate social responsibility.

Optimizing the *Supplier Survey Form* and adding *Supplier CSR Survey Form*

Added the Supplier CRS Survey Form: to investigate and assess suppliers in terms of sustainable development policies, labor management (e.g. employee health and safety and training), environmental performance (e.g. water consumption, greenhouse gas emissions, etc.).

Optimizing the *General Template for Qualification Assessment of Engineering Suppliers* for on-site audit of engineering suppliers

Specified the audit and assessment criteria for on-site audits of engineering suppliers in terms of safety system, EHS and on-site conditions, and assign different weights to motivate suppliers to improve management. The assessment results will determine whether the supplier can be included in the potential supplier list.

During the reporting period, GenScript launched the S2P procurement management system featuring "sharing, co-development and win-win collaboration", and ensured that purchase requirement handling and price inquiry and comparison are digitalized, transparent and traceable. The system enables GenScript's purchasers, requesting departments and external suppliers to exchange and communicate business information in time, improving procurement efficiency, independence and transparency. Besides, with the S2P system, GenScript signed the *Letter of Good Faith Trading Agreement* with all suppliers to prevent any unfair competition or corruption during procurement and contract performance.

During the reporting period, given the Company's current situation and changes in the market, GenScript carried out two risk identification programs on suppliers, that is, the alternative supplier development programs for single source procurement and the three-year plan for American suppliers, so as to identify risks of material suppliers and ensure the stability of the supply chain.

- **Supplier quality audit and risk identification**

During the reporting period, GenScript's audit team performed supplier quality audits despite travel restrictions due to COVID-19 pandemic. In 2020, we completed a total of 79 on-site supplier audits, representing an increase of 61.2% year on year. The audits received positive feedback from suppliers and suppliers have improved quality awareness.

Where on-site audit was difficult for some suppliers, we used questionnaires for supplier evaluation. We conducted 35 questionnaire audits throughout the year. Meanwhile, to assist production departments with business line expansion, the audit team proactively cooperated with the Procurement Dept. to complete supplier selection and on-site audits for new business lines. This laid the foundation of product quality and sustainability.

On-site supplier audits by GenScript

During the reporting period, GenScript incorporated key service suppliers into the supplier management system, revised the *Quality Management Standards for Service Suppliers* and developed the management strategy for service providers. We standardized service supplier onboarding, audit and review, and completed 12 on-site reviews on service suppliers. We also offered improvement suggestions to suppliers to help customers comply with our quality management system (QMS).

In addition, GenScript's engineering project team has strengthened on-site audits on new suppliers in terms of overall capabilities, safety system, and EHS factors. GenScript incorporated overall audit opinions into engineering bid selection. During the reporting period, GenScript performed audits on 16 potential suppliers and added the competitiveness of outstanding suppliers to several engineering projects.

- **Communication with suppliers**

GenScript is committed to building a sustainable industry chain and works with our partners to create an ecosystem featuring mutual benefits and win-win results. During the reporting period, GenScript organized an annual business review for 2019, and a few quarterly and interim supplier business reviews for important suppliers, including Thermo, Merck, and Cytiva. Also, we organized more than 20 technical seminars for suppliers who were interested in cutting-edge technologies and critical materials.

GenScript's technical seminar with Beckman

3.2 Strict Quality Control

GenScript has always focused on product quality and aligned all of its business lines with laws and regulations, including the *Product Quality Law of the People's Republic of China*. We are committed to developing sound QMS, comply with quality guidelines of "stability, innovation, promptness, professionalism and continuous improvement", address customer needs, and strive to provide safe and effective products to patients and customers.

- **Enhancing quality management**

GenScript has always put high quality standards at the core of its quality control and developed a number of policies and systems to fulfill its commitment to high quality. During the reporting period, GenScript established the Quality Management Committee, guided, designed and developed its quality guidelines and quality objectives, optimized corporate quality management organizations, and ensured the efficiency of the corporate quality system. The Committee is mainly responsible for developing quality management regulations and quality development planning for the Group, developing quality inspection plans of the Company, and organizing reviews and audits on QMS compliance and effectiveness of each BU. The Committee provides guidance for each BU on total quality management (TQM), development and improvement of QMS, process quality control, and quality management activities involving all employees. The Committee also assists in handling adverse events or major quality problems between the Group or BUs and customers. During the reporting period, the Committee held regular meetings, improved a number of key processes and customer experience by proper resource allocation, and solved the long-standing problems with customer experience.

Quality Management Committee solved customer service problems by proper resource allocation

During the reporting period, the Quality Management Committee centered on customers and analyzed gaps in customer experience. To solve order errors made by Technical Account Manager (TAM), non-standardization, and late order update by PM, we set up a cross-functional working group to properly allocate resources. The working group optimized the order system, held regular special training and tracked weekly corrections. As a result, order-related complaints in 2020 decreased by 10% year on year. The order tracking system for gene services enables automatic order updates, and complaints about late order update decreased by 89% year on year.

During the reporting period, GenScript developed and released the *GenScript Quality Management Guidelines (Trial)* for the purposes of tightening and regulating quality management and improving the quality of products and services. The Guidelines are the minimum quality standard for all BUs, and each BU shall establish an appropriate QMS based on its business form under the Guidelines. Moreover, regular internal compliance audits on BUs and the Group ensured QMS effectiveness and compliance of each BU.

During the reporting period, GenScript worked to build good manufacturing practice (GMP) capabilities, and GMP facilities are under construction according to our strategic plan.

GenScript completed ISO9001 review for certificate renewal

During the reporting period, SGS, a third-party certification company, performed ISO 9001:2015 QMS re-certification audit for Nanjing GenScript and Jiangsu GenScript. SGS reviewed the design, development and production of life science products for research purposes, including nucleic acids, nucleotides, peptides, proteins, viruses, antibodies, stable cell lines, polyacrylamide gel products, provision of DNA sequencing services, provision of preclinical pharmaceutical development services for antibody drugs and protein drugs, provision of preclinical pharmaceutical research and sample preparation for phase 1 clinical trial, and provision of contract development and manufacturing of plasmid and virus vectors in cell and gene therapy.

- **Strengthening quality training for employees**

  GenScript complied with the quality certification system of the previous year, and developed and commissioned a primary quality certification platform. During the reporting period, GenScript launched pilot programs for primary quality certification system, primary on-job certification system and intermediate quality certification system, maintained the basic quality certification platform before new employee regularization and updated it on a monthly basis. In 2020, a total of 1,079 employees completed quality certification at the corresponding level.

  As of December 31, 2020, GenScript did not recall any products due to quality or safety issues.

- **Quality training**

  GenScript organized quality-related training or publicity activities with various themes for the purposes of raising employees' quality awareness, improving their work skills, and optimizing the production process and product quality.

Quality Month campaign themed "Data Integrity"

Quality Dept. launched the Quality Month campaign themed "Data Integrity" during the reporting period. A number of departments actively participated in the campaign and organized a wide range of quality activities such as knowledge contests, skill contests and debates, totaling 119 activities and 2,480 participants.

Departmental awards for Quality Month

Departmental activity — the red banner

Knowledge contest

Skill contest

3.3 Commitment to Service

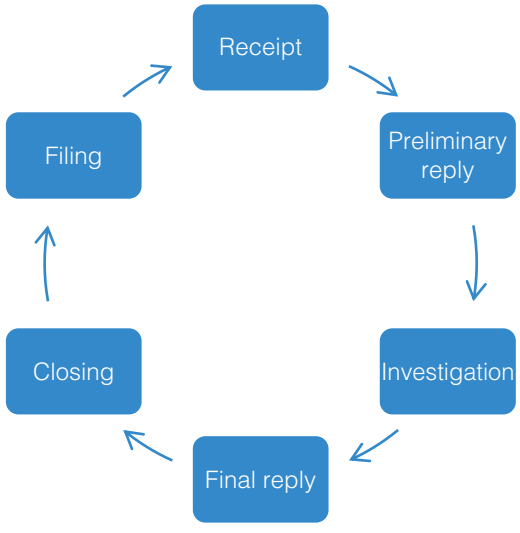
GenScript adheres to the core principle of customer first and the philosophy of scientific and professional production and services. GenScript works to deliver premium, reliable and safe products and services. We invested resources, upgraded the *Customer Feedback Management Measures*, and valued and analyzed customer feedback so as to improve our services. We conducted regular customer satisfaction surveys to further identify potential customer demand, understood customer expectations, and optimized products and service processes, so as to pursue business excellence.

- **Customer feedback management**

  During the reporting period, we improved the *Customer Feedback Management Measures* and managed customer feedback on the customer feedback management platform. Each production department appointed personnel to investigate the root causes of complaints and developed corrective and preventive actions. In addition, we collected and analyzed customer feedback, made valuable suggestions to the R&D team, and provided guidance on continuous improvement for the production team. As a result, the time spent on complaint handling decreased to an average of 5.78 days, compared to 9.5 days in 2018 and 7 days in 2017. During the reporting period, GenScript responded to 100% of complaints and the number of effective complaints decreased by 10% year on year.

Standard customer complaint management process

During the reporting period, Jiangsu GenScript developed the customer quality-related complaint policy — *Standard Management Procedures of Complaint* — which defined the customer complaint handling procedures for plasmids, viruses and other related products. The following are specific standards and handling procedures:



- Receipt: Employees shall notify the QA complaint coordinator within one business day upon receipt of customer complaints by call, letter or other means, and transfer samples of such products (if any) to the QA complaint coordinator.
- Preliminary reply: On-site QA shall form an investigation team composed of all heads of departments involved in a complaint for investigation and review, and give a preliminary reply to customers via PM within 10 business days upon receipt of customer complaints.
- Investigation: The investigation team shall identify possible causes and use best effort to discover root causes and evaluate the potential impact.
- Final reply: QA shall complete the *Quality Complaint Record* and transfer the complaint reply to PM who shall then deliver such reply to the customer. If the customer has no objection to the reply, he/she shall sign for confirmation. If the customer raises an objection to the complaint investigation, the investigation team may determine whether to continue the investigation according to customer feedback.
- Closing: After receiving customer feedback, the QA complaint coordinator shall confirm the closure of a complaint in "Part V Closing" of the *Quality Complaint Record* upon approval by QA Head.
- Filing: QA complaint coordinator shall file all complaint documents of each year according to the *Standard Management Procedures of Files.*

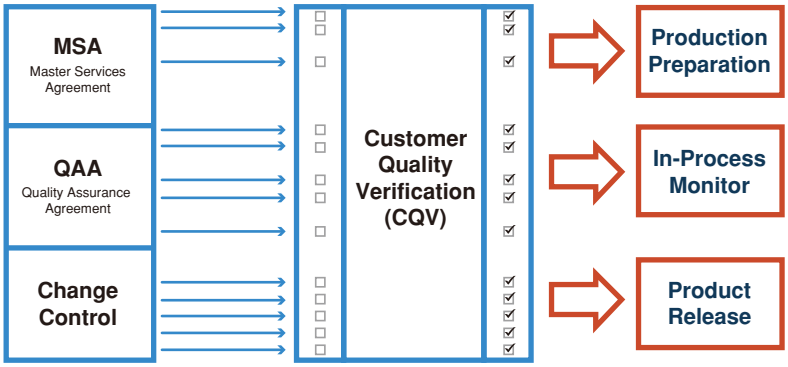
- **Customer satisfaction survey**

During the reporting period, we still used the Likert scale for customer satisfaction survey. The satisfaction score was 89.42 (88.74 in 2019 and 88.18 in 2018), in which the score for customer service was 92.8 (91.4 in 2019), showing a steady rise year by year. In addition, GenScript still adopted the Net Promoter Score (NPS), a customer loyalty metric we used in 2019, to measure a customer's likelihood to recommend GenScript's products and services to others. According to a total of 2,061 customer questionnaires collected, the NPS reached 63.59% (58.27% in 2019), far higher than 7-20% for general companies, representing an increase of 6% over the previous year. Higher NPS score shows that GenScript has built a loyal customer base and our customers have stronger willingness to recommend our products and services than the previous year.

By improving methods and metrics for customer satisfaction survey, GenScript was able to further understand customer feedback on our services and products, optimize our products and service processes, and pursue business excellence and sustainability. During the reporting period, Quality Dept. of GenScript ProBio used the Customer Quality Verification (CQV) system for production preparation, in-process control, and product release, so as to fulfill our commitment to product quality for customers.

Developing the CQV system to improve customer service

During the reporting period, Quality Dept. of GenScript ProBio developed the CQV system to meet all quality standards (MSA/QAA) we promised to customers in the project life cycle. Also, to standardize and streamline the management of each key gate in the life cycle of chemistry, manufacturing and control (CMC) projects, we also developed the QA project management tracking system and a set of standard management procedures (SMP)/standard operating procedures (SOP) and checklists to monitor each gate completely and accurately.



CQV system

QA project management tracking system

IV. EMPLOYEES: DIVERSITY AND INNOVATION

GenScript regards employees as the cornerstone of corporate development. We provide a sound platform for employee growth and development, and practice people-oriented talent management. We also safeguard and protect the rights and interests of employees in accordance with laws and regulations. Through a fair recruitment channel, we provide a safe and healthy working environment and substantially improve the employee training and development system. Meanwhile, we care about the life of employees, organize welfare and caring activities, so that the Company and employees can work on shared cause.

4.1 Talent Management

In 2020, aligned with the global strategic presence of the Company, we continuously enhanced the end-to-end synergy of business processes. We implemented the three-pillar model, and comprehensively supported and managed the current talent team through the HR center of excellence (HR COE), HR business partner (HRBP) and HR shared service center (HR SSC). During the reporting period, GenScript established Management Committees (MC) and Professional Committees to build a collective decision-making mechanism, effectively supporting business development and improving employees' expertise.

Talent team building

Brainpower is essential to the Company's development. Since its establishment, GenScript has attracted extensive visionaries from all over the world who have been contributing to the Company's new technology R&D, as well as the common development of employees and the Company. In 2020, GenScript ensured the fairness and diversity in the recruitment and hiring process. During the reporting period, we encouraged internal referrals and built an online group interview platform with professional suppliers during the pandemic. Also, we actively expanded recruitment channels in different countries and held recruitment fairs in Singapore, the U.S., the Netherlands and other countries, so as to attract overseas top talents, explore new business areas and build a diversified talent pipeline.

Diversified recruitment channels
In order to launch recruitment amid the COVID-19 pandemic, GenScript offered more online channels during the reporting period, including virtual campus recruitment, online presentations, virtual mini-open days, and online interviews. Working with 51 job, Zhilian Zhaopin and other agencies as well as online media, we expanded the coverage of our recruitment publicity through university employment websites, BBS, Taohua Island, and university WeChat official accounts. As of November 30, our virtual information sessions received a total of 71,000 views; we held 11 online presentations and 7 online mini-open days on Tiktok; we interviewed 2,000 candidates online and offline in autumn campus recruitment.

Virtual information session

Live-streaming information session

As of December 31, 2020, GenScript had a headcount of 4,601, of which 4,592 were regular employees and 9 were part-time employees. The following is GenScript's employment by type:

		2019	2020
Total		3,738	**4,601**
By gender	Male	1,674	**2,039**
	Female	2,064	**2,562**
By age	<30	2,119	**2,352**
	30–50	1,520	**2,109**
	>50	99	**140**
By function	Production*	1,341	**1,884**
	Sales and marketing	350	**432**
	R&D	1,034	**963**
	Administrative services	489	**613**
	Management	524	**709**

		2019	2020
By region	Mainland China	3,365	**3,999**
	U.S.	327	**530**
	Other regions	46	**72**
By employment type	Full-time**	3,738	**4,592**
	Part-time	/	**9**
By academic qualification	PhD	263	**358**
	Master	1,121	**1,475**
	Bachelor	1,458	**1,784**
	Under bachelor	896	**984**

* Aligned with the cost center classification, some R&D employees were adjusted to production employees.

** In 2020, a few non-essential part-time employees were included in the headcount statistics, and 185 dispatched employees in 2019 were included as regular employees.

Due to the COVID-19 pandemic and booming new business, GenScript witnessed a faster employee structure adjustment in 2020, and the employee structure was stable. GenScript carried out surveys on each employee who left during the year and recorded the reasons for their resignation in order to find out the direction for optimization and improvement. The following are details of regular employee turnover:

		Male	Female	Total
By age	<30	3.0%	4.2%	7.2%
	30–50	2.9%	2.0%	4.9%
	>50	0.2%	0.3%	0.5%
By region	Mainland China	5.5%	5.8%	11.3%
	U.S.	0.6%	0.6%	1.2%
	Other regions	0.0%	0.1%	0.1%
Total employee turnover rate		6.1%	6.5%	12.6%

Protection of employee rights and interests

GenScript has established and improved the employee management system and SOPs in accordance with the *Labor Law of the People's Republic of China*, the *Employment Promotion Law of the People's Republic of China*, the *Trade Union Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Minors*, the *U.S. Fair Labor Standards Act (FLSA)* and other labor protection laws and regulations. GenScript complies with its *Employee Manual* and the *Compensation and Benefits Management Policy* to ensure the transparency in HR management and protect employees' rights, interests, compensation and benefits.

According to our *Recruitment and Employment Management Policy*, GenScript promises to treat every employee equally and strictly forbids any discrimination, harassment, slander or intimidation against any employee due to race, gender, ethnicity, nationality, religion, age, marital status, sexual orientation and other personal characteristics. GenScript does not allow child labor or forced labor by virtue of violence, force or illegal restriction on personal freedom. During the reporting period, GenScript signed labor contracts with 100% of employees, and no child labor or forced labor was found.

4.2 Motivation to Growth

Employee promotion

GenScript has always promised a fair and open career development pathway to employees. In order to present employees with individualized career planning, GenScript conducts talent mapping every year to develop an inclusive talent pool and appropriate plans on post arrangements. During the reporting period, GenScript adjusted the promotion process for managerial positions and delegated the approval authority by rank, so as to improve the efficiency of promotion approval. Besides, we added a one-week publicity period to enhance the fairness and transparency of promotion in managerial positions. We developed the *Rank Promotion Process* and the *Job Promotion Management Process* to define the responsible persons and their duties in each step of the employee promotion process, laying a solid foundation for long-term talent development.

Employee training

To enhance employees' professional skills and understanding of corporate culture and improve work quality, we launched targeted employee training programs under *the Training Management Policy* to meet the needs of employees, leaders, R&D personnel, etc. For instance, we offered the Leadership Training Program for leaders and the Professional Competency Training Program for R&D and technical personnel.

Frontline Employees

- Training on corporate culture/rules and regulations
- Training on information security/employee safety
- Training on environment, safety and health

Leaders and managers: Leadership Training

Colonel Training Program

We launched three rounds of Colonel Training Program at Nanjing site in May, August and November 2020 respectively, improving the leadership and professionalism of middle leaders.

The program was jointly presented by TD and SSC of HR Dept. and covered four modules — presentation, training, practice and review.

In 2020, the program involved 73 trainees and the overall satisfaction was 93.99%.

Captain Training Program

In 2020, GenScript launched two rounds of Captain Training Program in April and July respectively at Nanjing site. The program is intended to improve the management skills of primary-level managers and improve the management climate.

The program was jointly presented by TD and SSC of HR Dept. and covered multiple modules, including a 3-day training camp, action plan implementation that lasted for 6-8 months, themed experience sharing sessions and review.

In 2020, the program involved 38 trainees and the overall satisfaction was 95.35%.

Professional Competency Training for technical personnel

G100-P Professional Competency Training

To improve the comprehensive competencies of the professional talent team, GenScript launched four rounds of G 100-P Professional Training in April, July, October and December respectively at Nanjing site, involving three teams of professionals in business, production and R&D. The training was presented by TD of HR Dept. and covered training, practice and review. It is intended to present typical business scenarios and cases from real-world business to combine training with practice.

In 2020, the program involved 134 trainees and the overall satisfaction was 94.4%.

In addition to a variety of training courses, GenScript also values the transfer of knowledge and skills among employees and encourages employees to share experience and know-how.

Encouraging training innovation and building learning-oriented organizations

From June to November 2020, GenScript HR Dept. organized a group-wide micro-lecture competition on E-learning so as to integrate fragmented knowledge, facilitate point-to-point learning, visualize internal know-how of each department and build learning-oriented organizations. The competition received more than 260 works made by employees from various departments. After multiple rounds of selection, including preliminary, empowerment, semi-final, online voting and final sections, nearly 60 excellent micro-lectures were delivered and improved on E-learning. In the process, more than 50 lecturers were empowered and 10 micro-lecture tutors were selected into our talent pool, expanding our online learning resources and improving the functions of E-learning platform.

During the reporting period, we laid stress on employee training and development despite the COVID-19 pandemic. We actively launched online training programs on E-learning platform, and organized "Who Is the Top Learner", a learning contest, to motivate employees to learn actively and update their knowledge. The online learning activities amid the pandemic enabled employees to gain insights and renew their knowledge during quarantine and lockdown, and prepared employees for future work. More than 3,000 colleagues engaged in online learning and completed a total of 687 courses.

During the reporting period, there were 17,255 trainees cumulatively and 100% of employees received training. On average, employees received 15.3 hours of training and R&D personnel received 22.8 hours of training. The following are training details:

	Male		Female		Total	
	Cumulative number of trainees	Average training hours	Cumulative number of trainees	Average training hours	Cumulative number of trainees	Average training hours
Production	3,150	13.2	4,469	14.2	7,619	13.8
Sales and marketing	1,036	13.0	1,422	15.1	2,458	14.2
R&D	1,595	20.2	2,255	24.6	3,850	22.8
Administration	502	5.7	627	7.9	1,129	6.9
Management	1,247	16.8	952	17.3	2,199	17.0
Total	7,530	14.3	9,725	16.1	17,255	15.3

Employee incentive

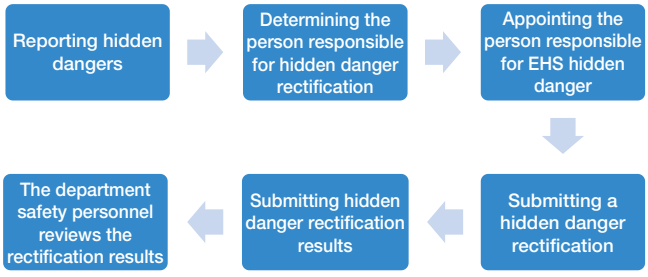
During the reporting period, the compensation and benefits team established the compensation policy management system and developed 7 policies, namely, the *Total Reward Policy*, the *Short-Term Incentive Management Rules*, the *Long-Term Incentive Management Rules*, the *Individual Income Tax Management Rules*, the *Benefits Management Rules*, the *Salary Management Rules*, and the *Incentive Measures for Operation and Management Projects*, for the purposes of specifying the classification, definition and application of compensation and benefits. Meanwhile, GenScript also offered three incentives, including reopening red pockets, return-to-work bonuses and bonuses for contribution against COVID-19, to departments and employees who were on duty during the pandemic. Those measures demonstrated GenScript's value of Customer First and Pursuit of Excellence. Also, GenScript rolled out a small reward policy in recognition of employee's efforts and granted certificates to those employees. During the reporting period, 957 employees and 5 teams received rewards.

4.3 Health and Safety

Safety and health management

Considering the health and safety of employees as the groundwork of corporate development and productivity, GenScript is committed to constantly strengthening safety management and strives to create a comfortable, healthy and safe working environment. We comply with the *Law of the People's Republic of China on Work Safety*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Measures for the Administration of Contingency Plans for Work Safety Accidents* and other laws and regulations. On this basis, we formulated a number of health and safety management policies, including the *GenScript Basic Safety Rules*, the *Electricity Safety Management Policy*, and the *Emergency Response Plan*, and actively implemented safety standards and employee health protection measures. During the reporting period, we developed the *EHS Responsibility & Accountability Policy*, the *Chemical Safety Management Policy*, the *Electricity Safety Management* Policy, the *Construction Project EHS Management Policy* and other policies for the purposes of establishing a more detailed EHS management mechanism, identifying room for improvement in EHS management and constantly improving the Company's safety and health management.

To develop a comprehensive safety management system, GenScript developed the *EHS Adverse Event (Accident) Reporting Procedures* and the *Hidden Danger Reporting Procedures* as essential documents to standardize accident reporting, investigation and handling procedures. This enabled us to identify hidden risks and safety hazards and reduce safety accidents. During the reporting period, GenScript launched projects to develop the safety hazard reporting and management App and the WEB system, which will facilitate safety hazard reporting and management and improve information management in the future.



GenScript's Safety Hazard Reporting Procedures

Safety publicity, training and drills

GenScript has attached great importance to the safety education of employees and regularly organized safety training and drills in an effort to raise employees' safety awareness, prevent injury and casualty, and alleviate occupational hazards. In terms of safety knowledge publicity, in June 2020, GenScript launched a Safety Month activity themed "Risk Elimination and Safety Protection" for the purposes of improving employees' safety awareness and capability and ensuring work safety. In addition, we regularly pushed pandemic prevention policies, safety knowledge, and safety culture publicity on the Company's WeChat Account, shaping the EHS culture of the Company.

Safety leadership training:

In July 2020, EHS Director offered safety leadership training to the management, so as to effectively implement the Company's safety regulations and improve the management's awareness and capability of safety management.

Emergency rescue training:

On September 25, 2020, EHS Dept. invited experts from hospital to give training on emergency rescue knowledge and skills. The training was intended to improve employees' emergency response and first-aid capability.

Education on COVID-19 prevention and control:

From February 9, 2020, GenScript organized online training on COVID-19 prevention and control in order to raise employees' awareness and share knowledge. A total of 3,932 employees participated in the training and took tests through E-learning. The training updates of each department were posted on Wechat Official Account.

Replaying and learning from the explosion accident happened in Xiangshui County on March 21:

In May 2020, EHS Dept. replayed the explosion accident happening in Xiangshui County on March 21.

Safety statistics	2018	2019	2020*
Number of accidents at work	3	3	**9**
Number of days lost due to work-related injuries	316.5	136.0	**278.0**

* Aligned with the Company's globalization strategy, GenScript adopted more detailed statistical methods and dimensions in 2020, under which 3 accidents occurred in the U.S. were included in the statistics. GenScript reflected upon accidents and enhanced training. 6 accidents occurred in China, of which 1 was mild injury and 5 were non-production-related traffic accidents. GenScript provided timely assistance in the work-related accident declaration and increased publicity on traffic safety.

Occupational health

In order to safeguard employees' occupational health, GenScript revised the *Personal Protective Equipment Management Policy* according to the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Protective Equipment Rule for Employers* and other laws and regulations, and provided protective equipment to employees to reduce injuries and avoid occupational hazards at work. We organized regular health examinations for employees exposed to occupational hazards and provided appropriate protective equipment based on employees' job nature and health examination results.

Food safety

Food safety is also indispensable to employees' health. We carried out food safety management according to the *Food Safety Law of the People's Republic of China*, the *Food Safety Operation Rules for Catering Service* and other laws and regulations, and developed the *Food Management Policy*, the *Regulations on Rewards and Punishments for Food Suppliers* and other management policies. To ensure food safety in our canteen, we rolled out supervision and inspection measures for purchasing, storage and cooking. During the reporting period, we drew samples of food and tableware from the canteen for inspection, which turned out to be safe.

COVID-19 prevention and control

In 2020, the COVID-19 pandemic presented many challenges to GenScript, including employee health, food safety, factory cleaning, and dormitory management. The Company worked with employees in the fight against COVID-19 and demonstrated its solidarity and managerial capability. During the Spring Festival holiday, around 500 employees stood fast at their posts. With the pandemic largely under control, more than 1,000 employees returned to work. We developed access management policies under which employees arrived in Nanjing should put themselves in self-isolation for 14 days before entering the Company. After the pandemic is under control, we tightened information registration at the dormitory and conducted disinfection.

To ensure food quality and safety, during the Spring Festival, the catering manager insisted on working on site every day. We also conducted comprehensive disinfection and sterilization in the canteen and required all canteen staff to wear masks and gloves. In addition, we coordinated with IT Dept. to develop a meal delivery system and encouraged employees to order takeout in advance.

With a view to keeping the site clean and creating a safe working environment for employees, the cleaning manager developed and put into place the disinfection and sterilization schedule, and assigned cleaning teams to disinfect and sterilize public areas, offices and laboratories at least twice a day.

Taking body temperature in the dormitory during the pandemic

Disinfecting office area during the pandemic

4.4 Care and Support

Benefits and care

GenScript is concerned about employees' needs in life and endeavors to improve employees' happiness, satisfaction, cohesiveness and sense of belonging, creating a warm and inclusive environment. We provide employees with material, emotional and cultural support in the hope that each employee can live a fulfilling life.

Holiday benefits

On traditional holidays, we prepared custom-made gift sets for our employees and bookmarks indicating corporate vision and values to encourage employees to learn and fulfill themselves.

Dormitory renovation: creating better living conditions for employees

During the reporting period, GenScript aimed to improve living conditions of the constrained public accommodation. In 2020, we surveyed the dormitory, developed a renovation plan and initiated the project. We started dormitory renovation in October and converted all 6-bed rooms to 4-bed rooms, which required an estimated investment of RMB5,000,000.

GenScript is concerned about psychological and physical well-being of female employees. We give female employees special attention in accordance with the *Special Rules on Labor Protection of Female Employees*, the *Provisions on Scope of Avoided Work of Female Employees* and other laws and regulations.

Care for women: mental health activities on the Mother's Day

On May 8, 2020, GenScript held its first Mother's Day activity. On this special festival, we call for attention to the development and psychological well-being of women at workplace. We invited mental health experts to give a lecture on emotion management and even established a working mothers' club. With the presence of flowers, delicious food and cheerful applause, employees had a wonderful time and felt being well taken care of in the Company.

As a people-oriented enterprise, GenScript made appropriate arrangements for employees' wage and leave during the COVID-19 pandemic in response to the guidelines issued by the government. We encouraged employees to work remotely in order to reduce the chance of infection, and paid wages in full on time, reassuring employees who worked from home.

Communication with employees

GenScript is always willing to listen to the voice of employees, understand their needs and help them with their problems. We launched Voice of GenScript, where employees can communicate and speak out freely. To enhance the communication between employees and management, we organized CEO luncheon which allows employees to talk to CEO.

Voice of GenScript

Voice of GenScript is a public platform where employees can communicate and speak out freely. On the platform, employees can report problems they discovered directly to the management and receive instant feedback. The platform helps create a corporate culture featuring effective communication, collective ingenuity, openness and inclusiveness.

CEO Luncheon

We invited outstanding employees to discuss life and work with CEO at the luncheon. This demonstrated senior executives' attention to employee development and helped decision-makers to hear the voice of employees and take measures to solve problems. Besides, employees from different departments were invited to CEO luncheon, which enabled participants to understand problems each department is facing and learn from their experience. This has a positive impact on healthy corporate development.

Employee outreach

GenScript organized diversified outreach to promote corporate culture and advocate work-life balance. During the reporting period, we organized various sports competitions, including table tennis, badminton and basketball competitions. This helped our employees live a healthy life physically and mentally.

GenScript Basketball Championship

On September 1, 2020, the 13th GenScript Basketball Championship took place in the basketball court at Nanjing Site. This championship is intended for all employees to enrich their spare time, encourage physical exercise and enhance employee communication. Players were divided into 4 teams. After nearly 2 months' competition, the 13th Basketball Championship was concluded in November.

V. ENVIRONMENT: GREEN OPERATION

While paying attention to the health of people and corporate growth and breakthroughs, GenScript is committed to creating a green, harmonious and beautiful ecological environment and higher social value as well. In our business activities, we constantly monitor and improve sustainability practices in climate changes, energy management, water resources management and waste management, and strive to minimize negative impacts on the environment during operations and achieve harmony between corporate operations and the environment.

5.1 Environmental Management

We comply with the requirements of state and local environmental protection laws and regulations, including the *Environmental Protection Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste,* and continue to standardize and improve internal environmental management mechanism. During the reporting period, we developed and released the *EHS Accountability Policy*, the *Environmental Management Policy*, the *Solid Waste Management Procedures*, the *Safety Management Policy for Hazardous Chemicals* and other policies for the purposes of improving the Company's EHS management, standardizing corresponding mechanisms and establishing standards.

GenScript always values work safety and strives to become a resource-saving and environmentally friendly enterprise. During the reporting period, we focused on environmental monitoring and commissioned professional institutions to conduct such monitoring on a quarterly basis, so as to prevent out-of-standard emissions. In addition, we pushed forward the identification and management of various environmental factors and improved our performance in environmental management, so as to fulfill our commitment to a sound ecological environment.

5.2 Energy Conservation and Emission Reduction

Tackling climate change has become a common aspiration at home and abroad. China will take forceful actions and policies for environmental protection and aims to have CO_2 emissions peak before 2030 and achieve carbon neutrality before 2060. As a responsible enterprise, GenScript will take solid actions to support green development and contribute to global environmental governance.

Greenhouse gases of GenScript mainly come from purchased electricity, steam, and natural gas used in production and operations. In terms of purchased electricity, we set up an electricity optimization team to coordinate electricity conservation during operations. During the reporting period, the team launched renovation programs for energy conservation of LED lights, dehumidification of air-conditioners, light switches in public areas, timing control of ventilation units, etc., and conducted lean management to improve energy conservation.

Renovation program for energy conservation of LED lights

During the reporting period, about 870 fluorescent lamps in Building 1 at Nanjing GenScript were replaced with 290 sets of LED panel lamps, which have longer service life, lower failure rate and lower energy consumption. It is estimated that the renovation will save electricity and maintenance costs by RMB 20,000 per year.

Renovation program for dehumidification of air-conditioners

During the reporting period, some rooms in Building 2 at Nanjing GenScript have such problems as larger humidity fluctuations, higher humidity control risks and increase in energy consumption of humidity controllers. In this regard, we analyzed the causes of humidity fluctuations and the increase in energy consumption, replaced rotary dehumidifiers in air conditioners and upgraded the control program. In this way, the relative humidity of these rooms were kept below 30%. This renovation program significantly reduced energy consumption of equipment and saved electricity costs by approximately RMB 170,000 per year.

In addition, we advocate green transportation among employees. During the reporting period, in light of company expansion and headcount increase, we offered more shuttle buses that departed from the subway station and the downtown, and pushed and updated bus schedules on the WeChat official account. This encouraged our employees to choose public transportation, drive less and reduce their carbon footprint.

In order to raise employees' awareness of environmental protection, we publicized energy conservation and emission reduction and encouraged employees to offer effective suggestions. In the "2020 Energy Conservation Month", we received nearly 300 suggestions and put good ideas into place in day-to-day activities.

Energy consumption and carbon emissions	2019	2020
Energy consumption (MWh)	55,854.09	**58,281.05**
Energy intensity (MWh/USD10,000)	2.04	**1.49**
Steam (tons)	8,299.00	**47,378.43**
Steam consumption intensity (tons/USD10,000)	0.30	**1.21**
Natural gas ('000 cubic meters)	2,237.14	**516.44**
Natural gas consumption intensity (cubic meter/USD10,000)	81.84	**13.21**
Greenhouse gas emissions (tons CO_2-e) (Scope 1 only)	4,837.13	**1,116.64**
Greenhouse gas emissions (tons CO_2-e) (Scope 2 only)	44,105.72	**48,305.92**
Greenhouse gas emission intensity (tons CO_2-e/USD10,000)	1.79	**1.26**

5.3 Resource Use

Resource conservation not only contributes to environmental protection but is also an effective method to control business costs. GenScript has always used water resources rationally and appropriately improved the efficiency of water use. Besides, we have continuously standardized and improved chemical management during production and operations and explored more efficient, more environmentally friendly and safer chemical management solutions.

Water resource management

As GenScript attaches great importance to water resource management and use, we have continuously monitored water consumption and emissions, and advocated water conservation and rational use of water. We regularly reviewed water safety and stability of water supply, and developed the *GS-SOP-BEQP103–01 Emergency Plan Procedures for Water and Steam Interruption*, the *GS-SOP -BEQP102–01 Emergency Response Process of Sewage Treatment Plant* and other relevant management rules and emergency plans to ensure sustainable water supply in case of abnormalities.

Water Consumption Statistics	2019	2020
Water consumed ('000 cubic meters)	440.26	**579.28**
Water recycled ('000 cubic meters) (only if water recycling facilities are installed at the headquarters in Jiangning District, Nanjing)	35.47	**27.87**
Water recycling rate (%)	0.08	**0.05**
Water consumption intensity (cubic meter/USD10,000)	16.11	**14.82**

* In 2020, Jiangsu GenScript expanded its capacity, put new projects into operation, and installed new purified water production equipment, resulting in an increase in water consumption.

* In 2020 Q4, GenScript renovated its rabbit rooms, resulting in a decrease in recycled water consumption. The use of recycled water is expected to further decrease due to improved breeding technology.

Chemical management

Being fully aware of physical, chemical, health and environmental risks of chemicals used in R&D and production, GenScript has continued to standardize chemical management throughout procurement, warehousing, storage, use and scrapping. During the reporting period, we developed the *Chemical Safety Management Policy* and the *Hazardous Chemical Safety Management Policy* to minimize the risks of chemical leakage and accidents.

Chemical procurement

We carried out process and service condition risk assessment and supplier qualification evaluation, and signed a safety agreement with suppliers.

Chemical warehousing

We strictly checked the names, product specifications, volume, packaging requirements and leakage of hazardous chemicals, and performed acceptance.

Chemical storage

During the reporting period, we commissioned a new chemical warehouse, posted a list of incompatible chemicals on site, installed safety cabinets, gas warning system, fire extinguishing system and other emergency facilities, and implemented the "two-man rule".

Chemical use

We developed plans for chemical use and used special purpose vehicles and equipment for on-site transportation. Also, we appointed personnel for management, install grounding and ventilation facilities for safety cabinets, and performed daily inspections to ensure that the amount of chemicals stored on site does not exceed 24 hours capacity.

Chemical scrapping

We examined expired or obsolete chemicals strictly according to the Company's chemical scrapping procedures, temporarily stored such chemicals in the hazardous waste warehouse, and entrusted qualified agencies for disposal.

During the reporting period, EHS and the Warehouse organized hazardous chemical spill drills to improve emergency responses to such accidents, strengthen risk management and enhance security.

Chemical spill drills

5.4 Pollutant Emissions

GenScript has constantly improved the management of solid waste, waste water and waste gases, and put waste management at the core of its environmental protection efforts. Through refined management and total waste volume control, we ensured up-to-standard discharge of solid waste, waste water and exhaust gases to minimize environmental impacts.

Solid waste management

Under the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Directory of National Hazardous Wastes*, and the *Regulations on the Administration of Medical Waste*, GenScript developed the *Solid Waste Management Measures* and classified and disposed of solid waste generated in operations. Solid waste includes domestic waste, hazardous waste (excluding medical waste) and medical waste. We classify waste by package and symbol and try to optimize our efforts to recycle reusable waste. In terms of hazardous waste, we tightened the transportation, reporting and storage management mechanism and had qualified third-party agencies dispose of hazardous waste.

At the beginning of the reporting period, we developed annual goals of hazardous waste management, including zero hazardous waste leakage and a 10% decrease in weight and output of hazardous waste in 2020 compared to 2019. As of December 31, 2020, we achieved all those goals set at the beginning of the year. In addition, we commissioned our new hazardous waste warehouse, and installed full coverage of monitoring facilities, connected emergency ventilation, emergency supplies, exhaust collection and treatment equipment and facilities in the warehouse during the reporting period. Also, we organized emergency drills for the hazardous waste warehouse and helped our employees get familiar with emergency response procedures and methods for the hazardous waste warehouse, enhance employees' emergency response capabilities, and reduce safety and environmental accidents.

We have enhanced technological innovation to reduce the volume of sludge and the water content in sludge. During the reporting period, we increased the stability of sewage treatment facilities, reducing the volume of sludge. We also replaced the belt filter press with the fold screw dehydrator, which reduced the water content in sludge from above 95% to below 90%. Besides, we installed the plate and frame filter press at our new sewage treatment station, which reduced the water content in sludge to below 70% and is expected to reduce the volume of sludge by 60% in the future.

Waste disposal	2019	2020
Domestic waste (tons)	9,143.90	**6,268.83**
Intensity of domestic waste generation (tons/USD10,000)	0.33	**0.16**
Hazardous waste (excluding medical waste) (tons)	997.97	**1,338.13**
Medical waste (tons)	303.42	**363.49**
Intensity of hazardous waste generation (tons/USD1 million)	4.76	**4.35**

- **Exhaust gas management**

  GenScript is always concerned about exhaust emissions. We classified industrial exhaust gases for control, treatment and discharge, and ensured up-to-standard emissions. We also upgraded our exhaust treatment facilities and ensured emissions in compliance with international and local standards of air pollutant emissions, so as to prevent violations.

  During the reporting period, we reorganized the list of exhaust treatment equipment and developed and implemented regular maintenance plans to ensure normal and efficient operation of such equipment. EHS Department performed inspections, standardized exhaust emissions and management requirements, and entrusted qualified agencies to conduct environmental tests for exhaust on a quarterly basis.

Replacement of boiler-generated steam with industrial steam

In 2019, we conducted Selective Catalytic Reduction (SCR) denitrification renovation for boiler emissions. According to the test report, the NOx emissions were significantly reduced for the year. Apart from the renovation, we also replaced boiler-generated steam with industrial steam during the reporting period, resulting in a decrease in annual NOx emissions by nearly 80%.

Exhaust emissions	2019	2020
Total exhaust emissions ('000 cubic meters)	1,020,116	**1,066,964**
Emission of smoke and dust (tons)	0.26	**0.24**
Sulfur dioxide emissions (tons)	0.10	**0.16**
NOx emissions (tons)	3.08	**1.68**

- **Waste water management**

In terms of waste water treatment, GenScript controlled the concentration of pollutants at the sewage drain lower than Level 3 under the *Integrated Waste Water Discharge Standard* and ensured up-to-standard discharge of domestic waste water, laboratory waste water during production and R&D, and flushing water for animal rooms. Many of the Company's subsidiaries established their own waste water treatment facilities and set up online sewage monitoring systems linking to the government to monitor the real-time sewage discharge concentration. During the reporting period, we checked and renovated rainwater and sewage shunting pipes and replaced cracked sewage pipes, so as to prevent waste water from leaking into the rainwater well and improve the Company's water resource management.

Using recycled water to reduce costs

During the reporting period, we further advanced the water recycling project. While saving tap water, we constantly reduced sewage emissions at the site and improved sewage utilization by using recycled water for cleaning and irrigation. It is estimated that each year up to 32,630 and 1,800 tons of recycled water is used for rabbit room cleaning and irrigation respectively.

Waste water	2019	2020
Sewage disposal (cubic meters)	306,202	**313,838**
Annual COD discharge (tons)	27.32	**23.18**
Annual NH-N discharge (tons)	2.29	**0.89**

5.5 Animal Care

It is every scientific worker's duty to treat laboratory animals well and maintain animal welfare and ethics, which embodies human rationality and emotions. Respecting every laboratory animal sacrificed for life science research, GenScript has established the Institutional Animal Care and Use Committee (IACUC) which is responsible for auditing and overseeing the ethics of the Company's animal experiment program as well as managing the process from ordering, transportation, quarantine, breeding, experimental studies to animal corpse disposal of laboratory animals in GenScript's Laboratory Animal Center. During the reporting period, we updated the organizational structure of GenScript Ethics Committee and established Laboratory Animal Management Department to continuously improve laboratory animal management and animal welfare.

During the reporting period, GenScript was granted the government subsidy of Jiangsu Province Jiangsu Province for licensed enterprises based on laboratory animal sharing performance. The subsidy will be used for our laboratory animal service capability building and employee performance incentives. In 2020, we took a number of measures to protect animal welfare in food, housing and recreation.

We reopened the closed areas of laboratory mouse facilities, passed the on-site audit conducted by the Laboratory Animal Management Office of Jiangsu Province, and obtained a permit to use laboratory animals in closed areas.

We purchased 7 new sets of Individually Ventilated Cages (IVC) for laboratory mouse facilities, which provided a more comfortable breeding environment for laboratory animals and protected animal welfare.

We purchased 4 new biosafety cabinets and 6 clean benches for daily animal quarantine and experiments in laboratory mouse facilities. The new equipment ensured the stable operation of the facility barrier system, reduced the risk of system contamination, and improved the overall breeding environment.

We installed new monitoring system that covered the parameters of IVCs and animal facilities around the clock, so as to ensure the normal and stable operations of the facilities and reduce animal health and safety risks.

We replaced 2 autoclaves with higher-throughput ones, which increased the overall efficiency by 175% and enabled us to meet the growing needs of departments that used laboratory animal.

In terms of quality testing of laboratory animals, we developed a microbial elimination plan for GenScript's animal facilities. 8 microbiological indicators were added to the original 19 tests in national standards for SPF laboratory mice, which improved the accessibility standards of animal facilities and reduced the risk of barrier system contamination.

During the reporting period, we unveiled GenScript's Laboratory Animal Monument in memory of all animals sacrificed for medical research and their contribution to life sciences in an effort to raise employees' awareness of animal care and respect for life and move forward scientific research.

Inauguration ceremony of Laboratory Animal Monument

In addition, we organized training and exchanges regarding animal welfare and care with industry peers. This exposed us to new trends, technologies and ideas and enabled us to stay on the forefront of animal care.

2020 Seminar on Development and Management of Biosafety Level II Animal Laboratory

VI. GIVING BACK TO THE COMMUNITY

GenScript is committed to becoming the most trustworthy biotechnology company and consistently creating value for society. We wish to create industry value and fulfill corporate social responsibility while achieving business success. We actively participate in industry research, discussions and exchanges to drive industry growth. During the reporting period, we donated a total of about US$367,000 to society, mainly including about US$270,000 for the fight against COVID-19, US$35,000 for education-related programs, and US$34,000 for poverty alleviation and environment protection programs.

6.1 Contribution to Industry

As a leader in the pharmaceutical industry, GenScript has always pursued breakthroughs in the industry. We gain new insights from in-depth exchanges with partners and leverage our own advantages to continuously explore new research fields and drive the progress of the industry.

GenScript held the 3rd Global Synthetic Biology & Gene and Cell Therapy Supply Chain Summit

On September 22, the 3rd Global Synthetic Biology & Global Gene and Cell Therapy Supply Chain Summit, led and hosted by GenScript, took place in Jinling Hotel, Nanjing. Themed “Innovation, Collaboration and Translation”, the Summit focused on the industrial policies and trend, technological innovation and application of gene editing and cell therapy, regulations and policies on drug development, innovation and translation of gene and cell therapy (GCT) drugs, CAR-T industrialization in China, and other issues of concern to global biopharmaceutical players and GCT experts. The Summit was intended to build a collaboration and innovation platform for the industry, facilitate all-round cooperation and communication across the industry chain, and jointly explore a new future of the biopharmaceutical industry.

GenScript Cell and Gene Therapy Industry Development & Cooperation Forum

To enhance its leadership in the cell and gene therapy industry, GenScript held its 1st Cell and Gene Therapy Industry Development & Cooperation Forum on July 17, 2020 in Shangri-La Hotel, Pudong, Shanghai. The forum brought together more than 30 leading industry experts in China, more than 700 professionals and 30 media. As an important communication platform in China, the forum connected upstream and downstream resources of the cell and gene therapy industry, brought commercialization opportunities to the Company, and strengthened its leadership in the industry.

GenScript Biotech Global Forum

In order to improve its brand awareness globally and its influence in the cell and gene therapy (GCT) industry, GenScript held GenScript Biotech Global Forum in Grand Hyatt, San Francisco on January 14, 2020. This is the first forum organized by the Company overseas.

The forum focused on cell and gene therapy and the booming Chinese market and aimed to build a bridge between the industry and the financial community. The forum brought together leading academic and industry professionals, experienced investors and regulatory authorities who exchanged their views on how to build first-class standards for China's cell and gene therapy industry, and how to bring more GCT products to market under the new global regulatory environment and create more value to customers and patients. The forum improved the Company's influence in the industry and demonstrated its commitment to global development. Also, as a platform to exchange information across countries, the forum underlined China's innovation power.

6.2 Contribution to Society

As an industry leader, GenScript keeps in mind the assistance and support from the social community, and contributes to society while creating value. We often organize community events, such as charity sports events, government cooperation, educational cooperation and support, and give back to society with existing resources for mutual benefit and win-win results.

Run for Young, making people and nature healthier

In order to build a strong employer brand and a corporate image as a vigorous and international high-tech enterprise, GenScript organized GenScript Nanjing Universities 100K Relay on November 15, 2020. As the Company's first corporate branding activity as well as the first relay race held in Nanjing for China's first-class universities, the event attracted students from 14 universities in Nanjing, including all universities of Project 985/211. GenScript also invited students from Huazhong University of Science and Technology in recognition of its contribution in the fight against COVID-19. The event was covered by more than 260 news reports from CCTV-5, Xinhua News Agency, Xinhua Daily, China News Service, Nanjing Daily, news portals and other major media, and also attracted more than 10 million views through TikTok live, WeChat moments and other social media platforms. Through the event, we enhanced our brand image with universities and improved our brand awareness and popularity.

Talent acquisition and talent development are important groundwork for GenScript's development. In response to national policies on the integration of industry and education, we help universities improve their teaching quality and scientific research innovation and build a talent pool for the biopharmaceutical industry. We expect to see more great talents in the industry who will inject vitality into innovative research and development.

During the reporting period, we launched "GenScript Overseas Training Scholarship" program, where we cooperated with Nanjing University, Nanjing Medical University, University of Science and Technology of China and other universities and helped more excellent students to study abroad.

As an important member and supporter of the global synthetic biology area, GenScript has supported iGEM for 12 consecutive years since 2009. We entered into close cooperation with the iGEM team on funding and technology, which demonstrated GenScript's support for education and commitment to corporate social responsibility. GenScript encouraged those contestants to overcome difficulties and push ahead courageously on the journey of biology. This improved applied research and industry talent development, and built underlying strength for China's biopharmaceutical industry.

GenScript supported 2020 iGEM community conference

From August 27 to August 31, the 7th Conference of China iGEMer Community (CCiC) took place online. The conference is an important exchange, cooperation and mutual learning platform for iGEM competition teams in China. As the sponsor of the conference, GenScript organized a workshop where the Company's senior scientists helped students with problems in experiments.

GenScript and China Pharmaceutical University built training base to develop future biotech talents

On September 9, 2020, GenScript entered into an agreement with China Pharmaceutical University on a training base and university-industry collaboration. According to the agreement, both sides would contribute to the base in terms of undergraduate internship, joint postgraduate training and compilation of case-based textbooks. Under comprehensive strategic collaboration, both sides also shared insights into a strategic university-industry collaboration model featuring tutor development for business startups and innovation, transformation of scientific research achievements and joint laboratory building, common development of academia and industry, and win-win collaboration between the university and industry.

APPENDIX I. LIST OF AWARDS AND CERTIFICATIONS FOR 2020

This section listed the awards and certifications granted to GenScript and its subsidiaries during the reporting period.

No.	Awards and Certifications
1	National Support Program for Key Science and Technological Projects on Significant New Drugs Development
2	"China's Top 100 Pharmaceutical Innovative Enterprises 2020"
3	"China's Biopharmaceutical Industry Chain Innovation Billboard" and the Kunpeng Award
4	Top 100 Companies in China's Pharmaceutical Industry
5	National Little Giant Enterprises for Specialized, Refined, Featured and Novel Products
6	Jiangsu Province Fund Support for Modern Service Industry
7	Jiangsu Province Strategic Emerging Industry Projects
8	Qualification from Jiangsu Engineering Technology Research Center
9	Nanjing Exemplary Employers with Harmonious Labor Relations
10	"Golden Parasol" Award for Nanjing Model Enterprises of Talent Introduction and Employment

APPENDIX II. LIST OF DISCLOSURE POLICIES AND LEGAL REGULATIONS

This section lists laws and regulations applicable to the Company in the order of ESG indicators in accordance with "the policies" and "compliance with relevant laws and regulations that have a significant impact on the issuer" contained in the "General Disclosure" of HKEX ESG Reporting Guide.

Classifications	Laws and Regulations
Environmental protection	*Environmental Protection Law of the People's Republic of China* *Water Law of the People's Republic of China* *Law of the People's Republic of China on Prevention and Control of Water Pollution* *Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution* *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* *Law of the People's Republic of China on Environmental Impact Assessment* *National Hazardous Waste Inventory* *Regulations on the Administration of Medical Waste* *Integrated Wastewater Discharge Standard*
Animal welfare	*Regulations on the Administration of Laboratory Animals* *Measures for the Administration of Laboratory Animal Licenses (Trial)*
Labor	*Labor Law of the People's Republic of China* *Labor Contract Law of the People's Republic of China* *Law of the People's Republic of China on Mediation and Arbitration of Labor Disputes* *Law of the People's Republic of China on the Protection of Rights and Interests of Women* *Law of the People's Republic of China on the Protection of Minors* *Special Rules on the Labor Protection of Female Employees* *Social Insurance Law of the People's Republic of China* *Employment Promotion Law of the People's Republic of China* *Trade Union Law of the People's Republic of China* *Law of the People's Republic of China on the Protection of Disabled Persons* *Regulations on Unemployment Insurance* *Regulation on Work-Related Injury Insurance* *Regulation on Public Holidays for National Annual Festivals and Memorial Days* *Provisions on Prohibition of Child Labor* *US Fair Labor Standards Act (FLSA)*

Classifications	Laws and Regulations
Product liability and service	*Law of the People's Republic of China on Product Quality* *Advertisement Law of the People's Republic of China* *Contract Law of the People's Republic of China* *Regulations on Responsibility for Quality of Industrial Products* *Regulation of the People's Republic of China on the Administration of Human Genetic Resources* *Provisions on Prohibition of Infringement of Trade Secrets*
Anti-commercial bribery law	*Law of the People's Republic of China Against Unfair Competition* *Criminal Law of the People's Republic of China*
Antitrust, company	*Anti-monopoly Law of the People's Republic of China* *Company Law of the People's Republic of China* *Basic Internal Control Norms for Enterprises* *Interim Provisions on Banning Commercial Bribery* *Foreign Corrupt Practices Act (FCPA)*
Information security	*Cybersecurity Law of the People's Republic of China* *Regulation of the People's Republic of China on the Administration of Human Genetic Resources* *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* *Tort Liability Law of the People's Republic of China*
Intellectual property	*Patent Law of the People's Republic of China* *Guidelines for Patent Examination* *Trademark Law of the People's Republic of China* *Copyright Law of the People's Republic of China*
Health and Safety	*Law of the People's Republic of China on Work Safety* *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* *Food Safety Law of the People's Republic of China* *Code of Practice For Dairy Food Safety*

APPENDIX III. INDEX OF HKEX ESG REPORTING GUIDE

Indicator	Description	Indexes
A. Environmental		
A1	**Emissions**	
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.2 Energy Conservation and Emission Reduction 5.4 Pollutant Emissions
A1.1	The types of emissions and respective emission data.	5.4 Pollutant Emissions
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2 Energy Conservation and Emission Reduction
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Pollutant Emissions
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.4 Pollutant Emissions
A1.5	Description of measures to mitigate emissions and results achieved.	5.2 Energy Conservation and Emission Reduction 5.4 Pollutant Emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiates and results achieved.	5.4 Pollutant Emissions

Indicator	Description	Indexes
A2	**Usage of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Energy Conservation and Emission Reduction 5.3 Resource Use
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	5.2 Energy Conservation and Emission Reduction
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	5.3 Resource Use
A2.3	Description of energy use efficiency initiatives and results achieved.	5.2 Energy Conservation and Emission Reduction
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.3 Resource Use
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable. Due to nature of business and characteristics of the Company, packaging materials are not an important issue and not disclosed.
A3	**Environment and Natural Resources**	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	V. Environment: Green Operation
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	V. Environment: Green Operation

Indicator	Description	Indexes
B. Social		
B1	**Employment**	
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Talent Management 4.4 Care and Support
B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1 Talent Management
B1.2	Employment turnover rate by gender, age group and geographical region.	4.1 Talent Management
B2	**Health and Safety**	
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	4.3 Health and Safety
B2.1	Number and rate of work-related fatalities.	4.3 Health and Safety
B2.2	Lost days to work injury.	4.3 Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.3 Health and Safety

Indicator	Description	Indexes
B3	**Development and training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2 Motivation to Growth
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	4.2 Motivation to Growth
B3.2	The average training hours completed per employee by gender and employee category.	4.2 Motivation to Growth
B4	**Labor Standards**	
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	4.1 Talent Management
B4.1	Description of measures to review employment practices to avoid child and forced labor.	4.1 Talent Management
B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Talent Management
B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.1 Responsible Procurement
B5.1	Number of suppliers by geographical region.	3.1 Responsible Procurement (Suppliers classified by region are confidential to the Company and are not disclosed)
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.1 Responsible Procurement

Indicator	Description	Indexes
B6	**Product Responsibility**	
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	1.3 Operational Compliance 3.2 Strict Quality Control 3.3 Commitment to Service
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.2 Strict Quality Control
B6.2	Number of products and service related complaints received and how they are dealt with.	3.3 Commitment to Service
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.3 Protection of Achievements
B6.4	Description of the quality assurance process and recall procedures.	3.2 Strict Quality Control
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	1.3 Operational Compliance
B7	**Anti-corruption**	
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer.	1.3 Operational Compliance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.3 Operational Compliance
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.3 Operational Compliance

Indicator	Description	Indexes
B8	**Community**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.1 Contribution to Industry 6.2 Contribution to Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	6.1 Contribution to Industry 6.2 Contribution to Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	VI. Giving Back to the Community

Independent Auditor's Report

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To the shareholders of Genscript Biotech Corporation

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Genscript Biotech Corporation (the "Company") and its subsidiaries (the "Group") set out on pages 166 to 174, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

We draw attention to note 45 to the consolidated financial statements and the Company's announcements dated 18 and 21 September 2020, 22 November 2020 and 9 February 2021, which indicate an uncertainty relating to the future outcome of an investigation over the Group in connection with suspected violations of import and export regulations under the laws of the PRC. No accrual was made in the consolidated financial statements as at 31 December 2020 as the Company is not able to make a sufficiently reliable estimate of the amount of the obligation. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition — Life science services and products	
Revenue of life science services and products (including life science and products segment, biologics development services segment and industrial synthetic biology products segment) amounted to US$314,657,000 was recognized in 2020, which represents 81% of the total revenue. Revenue recognition has been identified as a risk, particularly in respect of the occurrence and accuracy of a significant volume of transactions and the timing of revenue recognition for sales of goods and rendering of services with deliveries occurring on or around year-end. Due to the significant volume of transactions, minor errors could, in aggregate, have a material impact on the financial statements. The Group's disclosure about accounting policies of revenue recognition is included in Note 2.4 summary of significant accounting policies and about revenue breakdown in Note 5 revenue, other income and gains of the financial statements.	We performed the review on management's assessment of revenue recognition under HKFRS 15. We carried out testing relating to internal controls. On a sample basis, we examined deliveries during the year to documentation to assess whether the revenue recognition criteria were met for control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. We performed sales cut-off test to check to the goods delivery note and client acceptance note for sales of goods and check to the service report download record for rendering of services. We performed monthly analysis to observe the sales trend and identify whether there are any unusual sales. We performed testing on journal entries to test for any management override of internal controls related to revenue recognition.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition — License and collaboration arrangement	
On 21 December 2017, the Group and Janssen Biotech, Inc. ("Janssen"), entered into a collaboration and license agreement ("the agreement") in the development, manufacture and commercialization of a chimeric antigen receptor (CAR) T-cell drug. Revenue of license and collaboration arrangement amounted to US$75,676,000 was recognized in 2020, which represents 19% of the total revenue. There are significant management judgments and estimations involved in involved in determining the performance of obligations of the contract and the method to estimate variable consideration. The revenue recognition for the collaboration and license agreement may have a material impact on the financial statements. The Group's disclosure about accounting policies of revenue recognition is included in Note 2.4 summary of significant accounting policies and about revenue breakdown in Note 5 revenue, other income and gains of the financial statements.	We performed the review on management's assessment of revenue recognition under HKFRS 15, including management's judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to the agreement. We reviewed management's accounting treatment, including management's identification of deliverables within the agreement and evaluated management's judgement about whether the identified deliverables represent separate units of accounting under HKFRS 15. We reviewed the management's estimation of the variable consideration amount included in the total consideration. We reviewed allocation of total consideration to each deliverable and key assumption used in the allocation method and respective recognition criteria for each deliverable. On a sample basis, we examined deliveries during the year to documentation to assess whether the revenue recognition criteria were met for control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is SIU FUNG TERENCE HO.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower 1 Tim Mei Avenue Centre, Hong Kong
26 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
REVENUE	5	390,846	273,354
Cost of sales		(134,953)	(93,064)
Gross profit		255,893	180,290
Other income and gains	5	24,795	21,185
Selling and distribution expenses		(107,341)	(70,358)
Administrative expenses		(90,341)	(55,256)
Research and development expenses		(263,401)	(186,022)
Fair value loss of convertible redeemable preferred shares	35	(79,984)	—
Finance costs	7	(5,432)	(781)
Other expenses		(15,497)	(589)
Share of losses of associates	18	(599)	(308)
Reversal of/(provision for) impairment of financial assets, net		7	(1,851)
LOSS BEFORE TAX	6	(281,900)	(113,690)
Income tax credit/(expense)	10	477	(3,826)
LOSS FOR THE YEAR		(281,423)	(117,516)
Attributable to:			
Owners of the parent		(204,945)	(96,912)
Non-controlling interests		(76,478)	(20,604)
		(281,423)	(117,516)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		(US10.78 cents)	(US5.23 cents)
Diluted		(US10.78 cents)	(US5.23 cents)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	2020 US$'000	2019 US$'000
LOSS FOR THE YEAR	(281,423)	(117,516)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	22,011	(4,703)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	22,011	(4,703)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	–	61
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	–	61
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	22,011	(4,642)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(259,412)	(122,158)
Attributable to:		
Owners of the parent	(182,558)	(101,394)
Non-controlling interests	(76,854)	(20,764)
	(259,412)	(122,158)

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 US$'000	2019 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	345,215	235,986
Advance payments for property, plant and equipment		5,906	8,585
Investment properties	14	7,726	7,442
Right-of-use assets	15	34,017	29,642
Goodwill	16	14,116	15,245
Other intangible assets	17	26,020	25,482
Investments in associates	18	3,433	2,615
Financial assets at fair value through profit or loss	19	10,555	4,667
Other non-current assets	23	3,542	—
Deferred tax assets	31	3,702	5,701
Total non-current assets		454,232	335,365
CURRENT ASSETS			
Inventories	20	31,745	16,486
Contract costs	21	5,785	3,369
Trade and notes receivables	22	141,748	73,067
Prepayments, other receivables and other assets	23	32,834	31,621
Financial assets at fair value through profit or loss	19	5,866	25,434
Loans to an associate	18	2,422	2,007
Restricted cash	24	7,471	972
Time deposits	25	136,245	148,693
Cash and cash equivalents	25	629,058	252,397
Total current assets		993,174	554,046
CURRENT LIABILITIES			
Trade and bills payables	26	23,376	17,627
Other payables and accruals	27	168,980	125,035
Interest-bearing bank borrowings	28	44,642	17,008
Lease liabilities	15	2,588	1,769
Tax payable		3,532	2,846
Contract liabilities	29	84,414	60,130
Government grants	30	379	90
Total current liabilities		327,911	224,505
NET CURRENT ASSETS		665,263	329,541
TOTAL ASSETS LESS CURRENT LIABILITIES		1,119,495	664,906

	Notes	2020 US$'000	2019 US$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	28	**1,260**	1,748
Lease liabilities	15	**6,513**	3,608
Contract liabilities	29	**277,052**	277,827
Deferred tax liabilities	31	**7,030**	5,582
Government grants	30	**11,495**	3,843
Other non-current liability		**554**	—
Total non-current liabilities		**303,904**	292,608
Net assets		**815,591**	372,298
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**1,954**	1,879
Treasury shares		**(16,712)**	(7,774)
Reserves	36	**916,463**	388,699
		901,705	382,804
Non-controlling interests		**(86,114)**	(10,506)
Total equity		**815,591**	372,298

Wang Ye
Director

Meng Jiange
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent										
	Share capital US$'000 (Note 32)	Treasury shares US$'000	Share premium* US$'000	Merger reserve* US$'000	Share option reserve* US$'000 (Note 33 & Note 34)	Statutory surplus reserves* US$'000	Retained earnings/ (accumulated losses)* US$'000	Exchange fluctuation reserve* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2020 (Audited)	1,879	(7,774)	368,781	(20,883)	27,651	14,359	15,580	(16,789)	382,804	(10,506)	372,298
Loss for the year	–	–	–	–	–	–	(204,945)	–	(204,945)	(76,478)	(281,423)
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	22,387	22,387	(376)	22,011
Total comprehensive loss for the year	–	–	–	–	–	–	(204,945)	22,387	(182,558)	(76,854)	(259,412)
Acquisition of equity by non-controlling shareholders	–	–	372	–	–	–	–	–	372	145	517
Issue of ordinary shares for initial public offering of Legend Cayman	–	–	690,519	–	–	–	–	–	690,519	–	690,519
Shares repurchased	–	(9,460)	–	–	–	–	–	–	(9,460)	–	(9,460)
Equity-settled share-based compensation expense	–	–	–	–	17,637	–	–	–	17,637	–	17,637
Exercise of share options and restricted share units	75	522	14,506	–	(5,081)	–	–	–	10,022	–	10,022
Dividends paid to non-controlling shareholders	–	–	(7,631)	–	–	–	–	–	(7,631)	1,101	(6,530)
At 31 December 2020	1,954	(16,712)	1,066,547	(20,883)	40,207	14,359	(189,365)	5,598	901,705	(86,114)	815,591

* These reserve accounts comprise the consolidated reserves of US$916,463,000 (for the year ended 31 December 2019: US$388,699,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent											
	Share capital US$'000 (Note 32)	Treasury shares US$'000	Share premium* US$'000	Merger reserve* US$'000	Share option reserve* US$'000 (Note 33 & Note 34)	Statutory surplus reserves* US$'000	Fair value reserve of financial assets at fair value through other comprehensive income* US$'000	Retained earnings* US$'000	Exchange fluctuation reserve* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2019 (Audited)	1,836	–	364,100	(20,883)	18,955	14,359	(11)	112,442	(12,246)	478,552	14,635	493,187
Loss for the year	–	–	–	–	–	–	–	(96,912)	–	(96,912)	(20,604)	(117,516)
Other comprehensive loss for the year:												
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	61	–	–	61	–	61
Disposal of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(50)	50	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(4,543)	(4,543)	(160)	(4,703)
Total comprehensive loss for the year	–	–	–	–	–	–	11	(96,862)	(4,543)	(101,394)	(20,764)	(122,158)
Purchases of non-controlling interests of the subsidiary	–	–	(1,588)	–	–	–	–	–	–	(1,588)	(4,377)	(5,965)
Acquisition of equity by non-controlling shareholders	–	–	383	–	–	–	–	–	–	383	–	383
Equity-settled share-based compensation expense	–	–	–	–	10,782	–	–	–	–	10,782	–	10,782
Shares repurchased	–	(7,774)	–	–	–	–	–	–	–	(7,774)	–	(7,774)
Exercise of share options	43	–	5,886	–	(2,086)	–	–	–	–	3,843	–	3,843
At 31 December 2019	1,879	(7,774)	368,781	(20,883)	27,651	14,359	–	15,580	(16,789)	382,804	(10,506)	372,298

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(281,900)	(113,690)
Adjustments for:			
(Reversal of)/provision for impairment of trade receivables	6	(644)	1,851
Provision for impairment of other receivables	6	637	—
(Reversal of)/write-down of inventories to net realisable value	6	(294)	992
Depreciation of property, plant and equipment	13	27,341	17,361
Depreciation of investment properties	14	125	102
Depreciation of right-of-use assets	15	2,493	1,376
Amortisation of other intangible assets	17	2,936	1,803
Loss on disposal of items of property, plant and equipment	6	1,108	153
Interest income	5	(4,298)	(8,350)
Fair value loss of convertible redeemable preferred shares	35	79,984	—
Investment income	5	(3,707)	—
Share of losses of associates	18	599	308
Fair value gains on financial assets at fair value through profit or loss		(2,426)	(1,041)
Impairment of goodwill	16	1,264	—
Impairment of other intangible assets	17	2,295	—
Impairment of investment of associates	18	627	—
Finance costs	7	5,432	781
Deferred government grant	30	(290)	—
Foreign exchange differences, net	6	8,891	(3,623)
Equity-settled share-based compensation expense		17,637	10,782
		(142,190)	(91,195)
Increase in trade and notes receivables		(69,909)	(14,041)
Increase in prepayments, other receivables and other assets		(1,239)	(5,578)
Increase in inventories		(14,965)	(8,418)
Increase in non-current assets		(3,542)	—
Increase in contract costs		(2,416)	—
Increase/(decrease) in government grants		7,969	(111)
Increase in trade and bills payables		5,427	15,928
Increase in other payables, accruals and contract liabilities		65,885	80,332
Increase in non-current liabilities		554	—
Increase in restricted cash		(4,245)	—
Cash used in operations		(158,671)	(23,083)
Interest received		4,382	12,691
Interest paid for finance rental lease payment		(352)	(312)
Interest paid		(978)	(422)
Income taxes paid		(3,793)	(18,829)
Income taxes received		8,319	—
Net cash flows used in operating activities		(151,093)	(29,955)

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(121,879)	(110,371)
Redemption of equity investments designated at fair value through other comprehensive income		—	5,010
Purchases of financial assets at fair value through profit or loss		(430,727)	(1,183,563)
Maturity of financial assets at fair value through profit or loss		446,833	1,226,398
Redemptions/(purchases) of time deposits		12,448	(148,693)
Purchases of prepaid land lease payments		—	(6,824)
Proceeds from disposal of property, plant and equipment		56	364
Purchases of intangible assets		(5,868)	(1,341)
Receipt of investment income		3,707	678
(Increase)/decrease in restricted cash		(2,254)	11,716
Purchases of investments in associates		(2,067)	—
Loans to an associate		(415)	(2,007)
Net cash flows used in investing activities		(100,166)	(208,633)
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchases of non-controlling interests of the subsidiary		—	(5,965)
Proceeds from issuance of ordinary shares for initial public offering of Legend Cayman, net of issuance costs		450,085	—
Proceeds from preferred shares for initial public offering of Legend Cayman		160,450	—
Expenses of issue of preferred shares for initial public offering of Legend Cayman		(2,514)	—
Acquisition of equity by non-controlling interests		372	383
Exercise of share options and restricted share units		9,476	3,735
New bank loans		52,921	27,248
Repayment of bank loans		(28,720)	(18,993)
Dividends paid to non-controlling shareholders		(6,532)	—
Shares repurchased		(9,460)	(7,774)
Principal portion of lease payments	15	(1,875)	(1,412)
Net cash flows generated from/(used in) financing activities		624,203	(2,778)

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		372,944	(241,366)
Net foreign exchange differences		3,717	(795)
Cash and cash equivalents at beginning of year	25	252,397	494,558
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	629,058	252,397
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		514,046	240,380
Non-pledged time deposits with original maturity of less than three months when acquired		115,012	12,017
Cash and cash equivalents as stated in the statement of financial position	25	629,058	252,397
Cash and cash equivalents as stated in the statement of cash flows		629,058	252,397

1. CORPORATE INFORMATION

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

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

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

Information about subsidiaries

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

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

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Jinsikang Technology (Nanjing) Co., Ltd. ("Nanjing Jinsikang") — limited liability company	PRC/Mainland China 30 April 2009	RMB 132,550,600	—	100	Manufacture and sale of life science research products and services
Genscript Japan Inc. ("GS JP")	Japan 7 July 2011	JPY 8,300,000	—	100	Sale of life science research products and services
Nanjing Bestzyme Bioengineering Co., Ltd. ("Nanjing Bestzyme") — cooperative joint venture enterprise	PRC/Mainland China 6 June 2013	US$ 42,835,219	—	94.62	Manufacture and sale of life science research products and services
Nanjing Legend Biotechnology Co., Ltd. ("Legend Nanjing") — wholly foreign-owned enterprise	PRC/Mainland China 17 November 2014	US$ 62,500,000	—	63.91	Manufacture and sale of life science research products and services
Shanghai Bestzyme Biological Co., Ltd. ("Shanghai Bestzyme") — limited liability company	PRC/Mainland China 11 December 2018	RMB 3,000,000	—	100	Manufacture and sale of life science research products and services
Jinan Bestzyme Biological Co., Ltd. ("Jinan Bestzyme") — limited liability company	PRC/Mainland China 19 August 2009	RMB 45,436,341	—	78.09	Manufacture and sale of life science research products and services

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Company	Place and date of incorporation/ registration and place of business	Issued ordinary shares/paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Jiangsu Genscript Biotech Co., Ltd. ("Jiangsu GenScript") — wholly foreign-owned enterprise	PRC/Mainland China 31 August 2016	RMB 604,119,000	—	100	Manufacture and sale of life science research products and services
Legend Biotech USA Incorporated ("Legend USA")	United States of America 31 August 2017	—	—	63.91	Manufacture and sale of life science research products and services
Legend Biotech Ireland Limited ("Legend Ireland")	Ireland 13 November 2017	—	—	63.91	Manufacture and sale of life science research products and services
GenScript Biotech (Netherlands) B.V. ("GS EU")	Netherlands 6 December 2017	—	—	100	Manufacture and sale of life science research products and services
CustomArray, Inc. ("CustomArray")	United States of America 1 January 2018	US$ 957,800	—	100	Manufacture and sale of life science research products and services
Legend Biotech Corporation ("Legend Cayman")	Cayman Islands 27 May 2016	US$ 26,601	—	63.91	Investment holding company
Genscript Biotech Singapore PTE. LTD. ("Genscript Singapore")	Singapore 28 November 2019	US$ 0.72	—	100	Manufacture and sale of life science 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 year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

Except for the amendments to HKFRS 3, HKFRS 9, HKAS 39, HKFRS 7, HKAS 1 and HKAS 8, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the revised HKFRSs are described below:

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's buildings and rooms have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of US$48,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is currently accessing the impact of these standards.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS *5 Non-current Assets Held for Sale and Discontinued Operations.*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	2% to 5%
Machinery and equipment	20% to 33⅓%
Motor vehicles	10%
Computer and office equipment	20% to 33⅓%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents equipment under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in buildings held to earn rental income, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 22 years.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each financial year end. The effects of any revision are included in the statement of profit or loss when the changes arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	2 to 10 years
Patents and licences	5 to 10 years
Customer relationship	10 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings and rooms	2 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans, borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to the ultimate holding company and related parties and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue

The Group enters into a license and collaboration agreement for research, development, manufacturing and commercialization services with one customer. The terms of these arrangements typically include: non-refundable upfront fees, milestone payments for development and regulatory application and royalties on net sales of licensed products. Milestone payment is a form of variable consideration which is included in the transaction price to the extent that it is highly probable that a significant reversal of accumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The contracts generally do not include a significant financing component.

As part of the accounting for this arrangement, the Group must use significant judgement to determine: (a) the performance obligations; and (b) the method to estimate variable consideration.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct.

The Group uses judgement to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognizes revenue as or when the performance obligations under the contract are satisfied. If a milestone or other variable consideration relates specifically to the Group's efforts to satisfy a single performance obligation or to a specific outcome from satisfying the performance obligation, the Group generally allocates that milestone amount entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

The Group recognizes revenue only when it satisfies a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue (continued)

- The counterparty simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

- The Group's performance creates or enhances an asset that the counterparty controls as the asset is created or enhanced.

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

  The portion of the transaction price that is allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services is transferred to the counterparty. If the performance obligation is satisfied over time, the portion of the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group adopts an appropriate method of measuring progress for the purpose of recognizing revenue. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Upfront fees

Upfront payment is allocated to the performance obligations based on the Group's best estimate of their relative stand-alone selling prices.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue (continued)

Milestone payments

At the inception of each arrangement that includes milestone payments, the Group evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgement involved in determining whether it is probable that a significant reversal of cumulative revenue would not occur. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. The milestone payments were allocated to the performance obligations based on the Group's best estimate of their relative stand-alone selling prices, unless the criteria under IFRS15.85 are met where the milestone payments are allocated entirely to the performance obligations to which the milestone payments are specifically related.

Licenses of intellectual property

In assessing whether a license is distinct from the other promises, the Group considers factors such as the research, development, manufacturing and commercialisation capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace. In addition, the Group considers whether the counterparty can benefit from a license for its intended purpose without the receipt of the remaining promise(s) by considering whether the value of the license is dependent on the unsatisfied promise(s), whether there are other vendors that could provide the remaining promise(s), and whether it is separately identifiable from the remaining promise(s). The Group evaluates the nature of a promise to grant a license in order to determine whether the promise is satisfied over time or at a point in time. The Group has evaluated that the licenses are separate performance obligations which represent a right to use the Group's license as it exists at the point in time that the license is granted. Revenue from licenses is recognised when the control of the right to use of the license is transferred to the customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue (continued)

Steering committee services

In assessing whether the preparation and participation in a Joint Steering Committee which leads to the commercialisation of new drug ("JSC service") is a promised service in the arrangement, the Group has concluded that the services are capable of being distinct from the intellectual property licenses and distinct within the context of the contract based on a careful evaluation of the specific facts and circumstances. The performance obligation is satisfied over time as services are rendered. Revenue from JSC service is recognised on straight-line basis over the period when the JSC service is provided.

(b) Rendering of services

The Group renders research and development services to customers by delivering research reports. Revenue is recognised at the point in time when the research report is delivered and accepted by the customers.

(c) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme and a restricted stock units scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 and note 34 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The non-Mainland China employees are covered by other defined contribution pension plans sponsored by the respective local governments.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in United States dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries established in the PRC, Japan and Europe are currencies other than the United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into United States dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of the subsidiaries established in the PRC, Japan and Europe are translated into United States dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the companies established in the PRC, Japan and Europe which arise throughout the year are translated into United States dollars at the weighted average exchange rates for the year.

Impact of covid-19

The outbreak of the novel coronavirus (COVID-19) in early January 2020 has spread throughout China and to countries across the world. The COVID-19 caused delay on the Group's employees' return to work and has certain impact on the Group's shipping service and customers' on-site audit. The Group will continue to monitor and assess the impact of the ongoing development of the epidemic on the financial position and operating results of the Group and respond accordingly. Up to date of the report, the assessment is still in progress.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group has applied the following judgements that significantly affect the determination of the performance obligations and the method to estimate variable consideration of revenue from contracts with customers:

(i) Determining the performance of obligations of the contract

The Group identifies the performance obligations within the agreement and evaluates which performance obligations are distinct, which requires the use of judgement.

The Group has determined that both the license and JSC service are each capable of being distinct. In assessing whether an item has standalone value, the Group considers factors such as the research, manufacturing, and commercialisation capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace, which indicates that the customer can benefit from both license and service on their own. The Group also determined that the promises to transfer the license and to provide JSC service are distinct within the context of the contract. The license is separately identifiable in the contract and will be granted at contract inception. The license is not an input that will be integrated with the service which represents a combined output. The preparation and attendance of the various steering committees is to assist in conducting clinical trials and obtaining regulatory approval of the technology, but does not modify the technology itself. In addition, the license and JSC service are not highly interdependent or highly interrelated, because the delivery of the license is not dependent on the service to be provided in the future, accordingly, it is not interdependent or interrelated with the service. Consequently, the Group has allocated a portion of the transaction price to license and JSC service based on relative standalone selling prices.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgement (continued)

Revenue from contracts with customers (continued)

(ii) Determining the method to estimate variable consideration

Certain contract includes milestone payments that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group has determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the milestone payments as this method better predicts the amount of variable consideration to which the Group will be entitled.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was US$14,116,000 (2019: US$15,245,000).

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns by product type and rating.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables (continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the life science sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the financial statements.

Leases — Estimating the incremental borrowing rate

In calculating the present value of lease payments, the Group uses its incremental borrowing rate ("IBR") because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The outcome of their actual utilisation may be different. The carrying value of deferred tax assets relating to recognised deductible temporary differences at 31 December 2020 was US$3,702,000 (2019: US$5,701,000). The amount of unrecognised tax losses at 31 December 2020 was US$252,707,000 (2019: US$191,347,000). Further details are contained in note 31 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Net realisable value of inventories and contract costs

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in market conditions. Management reassesses these estimates at each reporting date. At 31 December 2020, the net carrying value of inventories was US$31,745,000 (2019: US$16,486,000), the net carrying value of contract costs was US$5,785,000 (2019: US$3,369,000).

Share-based compensation

The fair value of most share options granted by the Group is estimated using the binomial model. The use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Management estimates expected volatility based on the historical volatility of the stock of comparable companies. Expiration date is the basis for determining the expected life of an option. The risk-free interest rate is based on treasury yield curve rates with a remaining term which approximates to the expected life assumed at the date of grant. Changes in these input variables would affect the amount of expense associated with share-based compensation. The compensation expense recognised for all share-based awards is net of estimated forfeitures. The Company estimates forfeiture rates based on historical analysis of option forfeitures. If actual forfeitures vary from estimated forfeitures, adjustments to compensation expense may be required. For the year ended 31 December 2020, the equity-settled share-based compensation expense was US$17,637,000 (2019: US$10,782,000).

4. OPERATING SEGMENT INFORMATION

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

(a) The life science services and products unit provides comprehensive research services and products, which are widely used and are fundamental to life science research and application;

(b) The biologics development services unit provides comprehensive services aimed to help biopharmaceutical and biotech companies accelerate the development of therapeutic antibodies, and gene/cell therapy products with an integrated platform;

(c) The industrial synthetic biology products unit provides industrial enzyme development and production through non-pathogenic microbial strains constructed using genetic engineering;

(d) The cell therapy unit discovers and develops innovative CAR-T therapies for the treatment of liquid and solid tumors;

(e) The operation unit mainly provides shared services to other segments.

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2020	Life science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Operation unit US$'000	Eliminations US$'000	Total US$'000
Segment revenue (Note 5)							
Sales to external customers	246,502	39,691	28,582	75,676	395	–	390,846
Intersegment sales	3,315	735	323	–	7,364	(11,737)	–
Total revenue	249,817	40,426	28,905	75,676	7,759	(11,737)	390,846
Segment cost of sales	(84,472)	(30,492)	(20,296)	–	(2,710)	3,017	(134,953)
Segment gross profit	165,345	9,934	8,609	75,676	5,049	(8,720)	255,893
Other income and gains	–	–	801	6,119	18,286	(411)	24,795
Selling and distribution expenses	(48,475)	(5,915)	(3,589)	(49,571)	–	209	(107,341)
Administrative expenses	(8,471)	(2,602)	(3,020)	(23,124)	(56,607)	3,483	(90,341)
Research and development expenses	(21,334)	(10,048)	(4,887)	(232,160)	–	5,028	(263,401)
Fair value loss of convertible redeemable preferred shares	–	–	–	(79,984)	–	–	(79,984)
Finance costs	–	–	(176)	(4,209)	(1,156)	109	(5,432)
Other expenses	(3,559)	–	(525)	(346)	(11,369)	302	(15,497)
Share of profits and losses of associates	–	–	11	–	(610)	–	(599)
(Provision for)/reversal of impairment of financial assets, net	(1,072)	1,033	69	(23)	–	–	7
Profit/(loss) before tax	82,434	(7,598)	(2,707)	(307,622)	(46,407)	–	(281,900)
Income tax (expense)/credit	–	–	(461)	4,145	–	–	3,684
Unallocated income tax expense	–	–	–	–	–	–	(3,207)
Profit/(loss) for the year	82,434	(7,598)	(3,168)	(303,477)	(46,407)	–	(281,423)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2019	Life science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Operation unit US$'000	Eliminations US$'000	Total US$'000
Segment revenue (Note 5)							
Sales to external customers	170,399	22,450	23,106	57,399	–	–	273,354
Intersegment sales	2,617	241	215	3	5,429	(8,505)	–
Total revenue	173,016	22,691	23,321	57,402	5,429	(8,505)	273,354
Segment cost of sales	(60,243)	(16,675)	(17,898)	–	(1,002)	2,754	(93,064)
Segment gross profit	112,773	6,016	5,423	57,402	4,427	(5,751)	180,290
Other income and gains	–	–	1,019	6,987	15,525	(2,346)	21,185
Selling and distribution expenses	(37,498)	(2,379)	(3,867)	(25,620)	(1,395)	401	(70,358)
Administrative expenses	(6,249)	(1,921)	(2,530)	(6,752)	(38,652)	848	(55,256)
Research and development expenses	(14,646)	(9,615)	(4,320)	(161,943)	–	4,502	(186,022)
Finance costs	–	–	(372)	(223)	(186)	–	(781)
Other expenses	–	–	(324)	(221)	(2,390)	2,346	(589)
Share of profits and losses of associates	–	–	25	–	(333)	–	(308)
Provision for impairment of financial assets, net	(461)	(1,268)	(122)	–	–	–	(1,851)
Profit/(loss) before tax	53,919	(9,167)	(5,068)	(130,370)	(23,004)	–	(113,690)
Income tax credit/(expense)	–	–	511	(2,602)	–	–	(2,091)
Unallocated income tax expense	–	–	–	–	–	–	(1,735)
Profit/(loss) for the year	53,919	(9,167)	(4,557)	(132,972)	(23,004)	–	(117,516)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographic information

(a) Revenue from external customers

	2020 US$'000	2019 US$'000
The United States of America	**218,881**	168,418
Europe	**34,257**	26,646
Mainland China	**98,420**	55,474
Asia Pacific (excluding Mainland China)	**31,851**	20,799
Others	**7,437**	2,017
Total	**390,846**	273,354

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

(b) Non-current assets

	2020 US$'000	2019 US$'000
Mainland China	**290,006**	208,994
The United States of America	**133,043**	99,654
Other countries	**16,926**	16,349
Total	**439,975**	324,997

The non-current asset information above is based on the locations of assets and excludes deferred tax assets and financial instruments at fair value through profit and loss.

Information about a major customer

Revenue of approximately US$75,676,000 (2019: US$57,261,000) was derived from sales by the cell therapy segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 US$'000	2019 US$'000
Revenue from contracts with customers	390,333	272,977
Revenue from other sources		
Gross rental income from operating leases	513	377
	390,846	273,354

Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 December 2020

Segment	Life science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Total US$'000
Type of goods or services					
Rendering of services	199,358	39,691	27	—	239,076
Sale of products	47,144	—	28,437	—	75,581
License and collaboration revenue	—	—	—	75,676	75,676
Total revenue from contracts with customers	246,502	39,691	28,464	75,676	390,333
Timing of revenue recognition					
Goods transferred at a point in time	47,144	—	28,437	—	75,581
Services transferred at a point in time	199,358	39,691	27	—	239,076
Licenses transferred at a point in time	—	—	—	5,625	5,625
Services transferred over time	—	—	—	70,051	70,051
Total revenue from contracts with customers	246,502	39,691	28,464	75,676	390,333

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

For the year ended 31 December 2019

Segment	Life science services and products US$'000	Biologics development services US$'000	Industrial synthetic biology products US$'000	Cell therapy US$'000	Total US$'000
Type of goods or services					
Rendering of services	154,626	22,450	90	—	177,166
Sale of products	15,534	—	23,016	—	38,550
License and collaboration revenue	—	—	—	57,261	57,261
Total revenue from contracts with customers	170,160	22,450	23,106	57,261	272,977
Timing of revenue recognition					
Goods transferred at a point in time	15,534	—	23,016	—	38,550
Services transferred at a point in time	154,626	22,450	90	—	177,166
Licenses transferred at a point in time	—	—	—	4,523	4,523
Services transferred over time	—	—	—	52,738	52,738
Total revenue from contracts with customers	170,160	22,450	23,106	57,261	272,977

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 US$'000	2019 US$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
License and collaboration revenue	**60,613**	41,018
Revenue recognised from performance obligation satisfied in previous periods:		
License and collaboration revenue	**21,216**	10,857

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 are as follows:

	2020 US$'000	2019 US$'000
Within one year	84,414	60,130
More than one year	277,052	277,827
	361,466	337,957

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognized as revenue relate to collaboration revenue, of which the performance obligations for service are to be satisfied over the collaboration period, which are estimated to be 9 years. The amounts disclosed above do not include variable consideration which is constrained.

	2020 US$'000	2019 US$'000
Other income and gains		
Government grants	13,197	7,966
Bank interest income	4,298	8,350
Investment income	3,707	—
Fair value gains on financial assets at fair value change through profit or loss	2,426	1,041
Foreign currency exchange gain, net	—	3,623
Others	1,167	205
	24,795	21,185

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2020 US$'000	2019 US$'000
Cost of inventories sold		16,611	14,689
Cost of services provided		53,721	68,017
Depreciation of property, plant and equipment	13	27,341	17,361
Depreciation of investment properties	14	125	102
Depreciation of right-of-use assets	15	2,493	1,376
Amortisation of other intangible assets	17	2,936	1,803
Impairment of financial assets, net:			
(Reversal of)/provision for impairment of trade receivables	22	(644)	1,851
Provision for impairment of other receivables	23	637	—
Impairment losses of goodwill	16	1,264	—
Impairment losses of other intangible assets	17	2,295	—
Impairment of investment of associates	18	627	—
Lease payments not included in the measurement of lease liabilities	15	1,744	914
Auditors' remuneration		576	520
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		201,223	130,457
Pension scheme contributions (defined contribution schemes)		5,443	10,784
Equity-settled share-based compensation expense		17,091	10,452
		223,757	151,693
Foreign exchange differences, net		8,891	(3,623)
Loss on disposal of property, plant and equipment		1,108	153
Spin-off expenses relating to the separate listing of Legend		1,463	—
Service fee for the issuance of Legend Series A preferred shares		4,014	—
Fair value loss of convertible redeemable preferred shares		79,984	—
(Reversal of)/write-down of inventories to net realisable value		(294)	992

7. FINANCE COSTS

	2020 US$'000	2019 US$'000
Service fee for the issuance of Legend Series A preferred shares	4,014	—
Interest on bank loans	1,066	469
Interest on lease liabilities	352	312
	5,432	781

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 US$'000	2019 US$'000
Fee	163	155
Other emoluments:		
Salaries, allowances and benefits in kind	908	1,006
Performance related bonuses	242	282
Equity-settled share-based compensation expense	546	330
Pension scheme contributions	6	10
	1,702	1,628
	1,865	1,783

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 US$'000	2019 US$'000
Mr. Guo Hongxin	32	31
Mr. Dai Zumian	32	31
Mr. Pan Jiu'an	32	31
Mr. Wang Xuehai	3	—
	99	93

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors (continued)

The equity-settled share-based compensation expense of independent non-executive directors during the year was as follows:

	2020 US$'000	2019 US$'000
Mr. Guo Hongxin	81	106
Mr. Dai Zumian	81	106
Mr. Pan Jiu'an	148	—
Mr. Wang Xuehai	1	—
	311	212

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind*	Performance related bonuses	Equity-settled share-based compensation expense	Pension scheme contributions	Total remuneration
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2020						
Executive directors:						
Mr. Zhang Fangliang[1]	–	233	–	–	2	235
Ms. Wang Ye	–	488	138	–	–	626
Mr. Meng Jiange	–	175	103	4	4	286
Mr. Zhu Li[2]	–	12	1	2	–	15
	–	908	242	6	6	1,162
Non-executive directors:						
Mr. Pan Yuexin	32	–	–	81	–	113
Ms. Wang Jiafen	32	–	–	148	–	180
	64	–	–	229	–	293
2019						
Executive directors:						
Mr. Zhang Fangliang	–	367	116	–	5	488
Ms. Wang Ye	–	467	134	–	–	601
Mr. Meng Jiange	–	172	32	12	5	221
	–	1,006	282	12	10	1,310
Non-executive directors:						
Mr. Pan Yuexin	31	–	–	106	–	137
Ms. Wang Jiafen	31	–	–	–	–	31
	62	–	–	106	–	168

* The benefits in kind include contributions made for directors' social security in the United State of America and medical insurance paid by the Group.

1 Dr. Zhang Fangliang has resigned from 22 November 2020.

2 Dr. Zhu Li was appointed as executive director on 22 November 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no director (2019: one director) and two chief executives (2019: one director) , details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 US$'000	2019 US$'000
Salaries, allowances and benefits in kind	1,153	1,197
Performance related bonuses	653	903
Equity-settled share-based compensation expense	281	68
	2,087	2,168

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$4,000,001 to HK$5,000,000	–	1
HK$5,000,001 to HK$6,000,000	3	1
HK$6,000,001 to HK$7,000,000	–	1
	3	3

10. INCOME TAX

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

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

The subsidiaries of the Group operating in the United States of America were subject to federal tax at a rate of 21% (2019: 21%) and state tax at an average rate of 4.9%–11.5% (2019: 4.0%–11.5%) during the year.

10. INCOME TAX (CONTINUED)

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

The subsidiary of the Group operating in Japan was subject to income tax at rates ranging from 22% to 31.5% (2019: 22% to 31.5%) on the estimated assessable profits arising in Japan during the year.

The subsidiary of the Group operating in the Netherlands was subject to income tax at the rate of 16.5% to 25% (2019: 19% to 25%) on the estimated assessable profits arising in the Netherlands during the year.

The subsidiary of the Group operating in the Singapore was subject to income tax at the rate of 17% (2019: 17%) on the estimated assessable profits arising in the Singapore during the year.

The provision for current income tax in Mainland China is based on the statutory rate of 25% (2019: 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 Mainland China which are granted tax concession and are taxed at preferential tax rates.

Jiangsu GenScript is qualified as an Advanced Technology Service Enterprise and Jinan Bestzyme is qualified as High and New Technology Enterprises. Both of them were subject to income tax at a preferential tax rate of 15% (2019: 15%) for the reporting period. Nanjing Bestzyme was qualified as High and New Technology Enterprises in 2019 and did not qualified in 2020. It was subject to income tax at 25% (2019: 15%) for the reporting period.

	2020 US$'000	2019 US$'000
Current — Mainland China	900	(253)
Current — Elsewhere	(4,627)	(3,617)
Deferred	3,250	7,696
Total tax (credit)/charge for the year	(477)	3,826

10. INCOME TAX (CONTINUED)

A reconciliation of the tax (credit)/expense applicable to loss before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax (credit)/expense at the effective tax rates is as follows:

	2020 US$'000	2019 US$'000
Loss before tax	(281,900)	(113,690)
At the PRC's statutory income tax rate of 25%	(70,475)	(28,422)
Effect of tax rate differences in other countries	21,549	(1,953)
Net operating loss carried back	(2,088)	—
Preferential income tax rates applicable to subsidiaries	(1,410)	(905)
Effect on deferred tax of increase in rates	1,400	(124)
Additional deductible allowance for research and development expenses	(10,981)	(7,553)
Effect of non-deductible expenses	5,038	2,653
Tax losses not recognised	59,614	47,386
Adjustments in respect of current tax of previous periods	1,031	(4,634)
Option income tax benefit	(3,441)	(2,994)
Others	(714)	372
Total tax (credit)/charge for the year	(477)	3,826

11. DIVIDENDS

	2020 US$'000	2019 US$'000
Dividends on ordinary shares during the year	14,879	—

On 5 June 2020, the board of directors declared a special dividend to the shareholders of the Company in connection with the spin-off and separate listing of Legend Biotech Corporation on the NASDAQ global market.

The board of directors has resolved not to declare any dividend for the year ended 31 December 2020 (For the year ended 31 December 2019: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,900,787,442 (2019: 1,853,927,485) in issue during the year, as adjusted to reflect the rights issue during the year.

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

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

	2020 US$'000	2019 US$'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(204,945)**	(96,912)

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year	**1,907,951,001**	1,855,261,389
Effect of shares repurchased	**(7,163,559)**	(1,333,904)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,900,787,442**	1,853,927,485

* The diluted loss per share is the same as the basic loss per share because the effect of share option was anti-dilutive for the years ended 31 December 2020 and 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Machinery and equipment US$'000	Motor vehicles US$'000	Computer and office equipment US$'000	Construction in progress US$'000	Total US$'000
31 December 2020						
At 31 December 2019 and at 1 January 2020:						
Cost	129,433	106,953	654	9,961	40,321	287,322
Accumulated depreciation and impairment	(11,655)	(32,837)	(335)	(6,509)	—	(51,336)
Net carrying amount	117,778	74,116	319	3,452	40,321	235,986
At 1 January 2020, net of accumulated depreciation and impairment	117,778	74,116	319	3,452	40,321	235,986
Additions	62	1,052	—	732	123,017	124,863
Disposals	(544)	(758)	—	(11)	—	(1,313)
Depreciation provided during the year	(7,452)	(16,899)	(54)	(2,936)	—	(27,341)
Exchange realignment	5,664	3,807	19	62	3,482	13,034
Transfers to investment Properties	(14)	—	—	—	—	(14)
Transfers	40,388	56,625	—	3,367	(100,380)	—
At 31 December 2020, net of accumulated depreciation and impairment	155,882	117,943	284	4,666	66,440	345,215
At 31 December 2020:						
Cost	175,824	168,926	700	14,447	66,440	426,337
Accumulated depreciation and impairment	(19,942)	(50,983)	(416)	(9,781)	—	(81,122)
Net carrying amount	155,882	117,943	284	4,666	66,440	345,215

As at 31 December 2020, assets with a net book value US$4,262,000 were pledged as security for interest-bearing bank loans as set out in note 28 (2019: US$4,105,000).

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings US$'000	Machinery and equipment US$'000	Motor vehicles US$'000	Computer and office equipment US$'000	Construction in progress US$'000	Total US$'000
31 December 2019						
At 31 December 2018 and at 1 January 2019:						
Cost	76,514	62,540	583	7,842	46,072	193,551
Accumulated depreciation and impairment	(6,982)	(23,416)	(293)	(4,847)	—	(35,538)
Net carrying amount	69,532	39,124	290	2,995	46,072	158,013
At 1 January 2019, net of accumulated depreciation and impairment	69,532	39,124	290	2,995	46,072	158,013
Additions	13,576	168	37	358	91,938	106,077
Disposals	(26)	(481)	(1)	(9)	—	(517)
Depreciation provided during the year	(4,856)	(10,670)	(58)	(1,777)	—	(17,361)
Exchange realignment	(577)	(640)	(5)	(38)	(1,422)	(2,682)
Transfers to investment properties	(7,544)	—	—	—	—	(7,544)
Transfers	47,673	46,615	56	1,923	(96,267)	—
At 31 December 2019, net of accumulated depreciation and impairment	117,778	74,116	319	3,452	40,321	235,986
At 31 December 2019:						
Cost	129,433	106,953	654	9,961	40,321	287,322
Accumulated depreciation and impairment	(11,655)	(32,837)	(335)	(6,509)	—	(51,336)
Net carrying amount	117,778	74,116	319	3,452	40,321	235,986

14. INVESTMENT PROPERTIES

	2020 US$'000	2019 US$'000
Carrying amount at 1 January	7,442	—
Transfer from owner-occupied property (note 13)	14	7,544
Depreciation provided during the year	(125)	(102)
Exchange realignment	395	—
Carrying amount at 31 December	7,726	7,442

Investment properties are located in Japan with the use periods of 22 years.

As at 31 December 2020, investment properties with a carrying amount of approximately US$7,726,000 (2019: US$7,442,000) were pledged as collateral of the Group's bank borrowings (note 28).

The Group's investment properties were revalued on 31 December 2020 based on valuations performed by JLL Morii Valuation & Advisory K.K., independent professionally qualified valuers, at US$12,598,000 (2019: US$11,779,000).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the consolidated financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Recurring fair value measurement for:				
Investment properties	—	—	12,598	12,598

14. INVESTMENT PROPERTIES (CONTINUED)

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Recurring fair value measurement for:				
Investment properties	—	—	11,779	11,779

During the year end 31 December 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December:

Valuation technique	Significant unobservable input	Range or weighted average	
		2020	2019
Discounted cash flow method	Estimated rental value (per sq. m. and per month)	US$208 to US$236	US$201 to US$229
	Standard vacancy rate	3%–4%	3%–4%
	Discount rate	3.7%	3.8%

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

15. LEASES

The Group as a lessee

The Group has lease contracts for buildings and rooms. Leases of buildings and rooms generally have lease terms between 2 and 10 years. Other buildings and rooms generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments US$'000	Buildings and rooms US$'000	Total US$'000
As at 1 January 2019	17,806	5,822	23,628
Additions	6,824	855	7,679
Depreciation charge	(420)	(956)	(1,376)
Exchange realignment	(289)	—	(289)
As at 31 December 2019 and 1 January 2020	**23,921**	**5,721**	**29,642**
Additions	**—**	**5,305**	**5,305**
Covid-19-related rent concessions from lessors	**—**	**(48)**	**(48)**
Depreciation charge	**(516)**	**(1,977)**	**(2,493)**
Exchange realignment	**1,192**	**419**	**1,611**
As at 31 December 2020	**24,597**	**9,420**	**34,017**

15. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 US$'000	2019 US$'000
Carrying amount at 1 January	5,377	5,934
New leases	5,305	7,679
Covid-19-related rent concessions from lessors	(48)	—
Accretion of interest recognised during the year	352	312
Payments	(2,227)	(8,548)
Exchange realignment	342	—
Carrying amount at 31 December	9,101	5,377
Analysed into:		
Current portion	2,588	1,769
Non-current portion	6,513	3,608
	9,101	5,377

(c) The amounts recognised in profit or loss in relation to leases are as follows:

According to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic.

	2020 US$'000	2019 US$'000
Interest on lease liabilities	352	312
Depreciation charge of right-of-use assets	2,493	1,376
Expense relating to short-term leases and leases of low-value assets	1,744	914
Covid-19-related rent concessions from lessors	(48)	—
Total amount recognized in profit or loss	4,541	2,602

15. LEASES (CONTINUED)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of one commercial property in Japan, right-of-use assets (note 15) consisting of car parking space in Ireland, buildings and machinery and equipment (note 13) consisting of a boiler plant and its related equipment in Mainland China under operating lease arrangements. Rental income recognised by the Group during the year was US$513,000 (2019: US$377,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 US$'000	2019 US$'000
Within one year	133	322
After one year but within two years	—	116
	133	438

16. GOODWILL

	2020 US$'000	2019 US$'000
Cost and net carrying amount at 1 January	15,245	15,287
Impairment during year	(1,264)	—
Exchange realignment	135	(42)
Net carrying amount at 31 December	14,116	15,245
Cost	15,380	15,245
Accumulated impairment	(1,264)	—
Net carrying amount at 31 December	14,116	15,245

16. GOODWILL (CONTINUED)

Impairment testing of goodwill

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

Life science services and products cash-generating unit

The recoverable amount of the life-science services and products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 15% to 23% (2019: 16% to 23%) (Purui: 15%; CustomArray: 23%).The growth rate used to extrapolate the cash flows of the life science services and products unit beyond the five-year period is 0% to 3% (2019: 0% to 3%) (Purui: 3%; CustomArray: 0%), which are the same as the long-term growth rate of the industry. The business situation of Purui deteriorated and the Directors had made strategic change. Accordingly, an impairment loss of approximately US$1,264,000 (2019: Nil) was recognized in respect of the goodwill during the year ended 31 December 2020.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Purui		CustomArray		Total	
	2020	2019	**2020**	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Carrying amount of goodwill	**—**	1,224	**12,644**	12,644	**12,644**	13,868

Industrial synthetic biology products cash-generating unit

The recoverable amount of the industrial synthetic biology products cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16% (2019: 16%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 3% (2019: 3%), which is the same as the long-term growth rate of the industry.

The carrying amount of goodwill allocated to the cash-generating unit is as follows:

	Jinan Bestzyme	
	2020	2019
	US$'000	US$'000
Carrying amount of goodwill	**1,472**	1,377

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Industrial synthetic biology products cash-generating unit (continued)

Assumptions were used in the value in use calculation of the three cash-generating unit for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

17. OTHER INTANGIBLE ASSETS

	Software	Patents and licenses	Customer relationship	Total
	US$'000	US$'000	US$'000	US$'000
31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation	860	24,526	96	25,482
Additions	1,010	4,858	—	5,868
Amortisation provided during the year	(564)	(2,357)	(15)	(2,936)
Disposal	—	(28)	—	(28)
Impairment during the year	—	(2,295)	—	(2,295)
Exchange realignment	86	(163)	6	(71)
At 31 December 2020	1,392	24,541	87	26,020
At 31 December 2020:				
Cost	3,352	33,206	158	36,716
Accumulated amortisation and impairment	(1,960)	(8,665)	(71)	(10,696)
Net carrying amount	1,392	24,541	87	26,020

17. OTHER INTANGIBLE ASSETS (CONTINUED)

	Software US$'000	Patents and licenses US$'000	Customer relationship US$'000	Total US$'000
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation	884	18,645	113	19,642
Additions	273	8,034	—	8,307
Amortisation provided during the year	(282)	(1,506)	(15)	(1,803)
Exchange realignment	(15)	(647)	(2)	(664)
At 31 December 2019	860	24,526	96	25,482
At 31 December 2019:				
Cost	2,172	27,703	148	30,023
Accumulated amortisation	(1,312)	(3,177)	(52)	(4,541)
Net carrying amount	860	24,526	96	25,482

As of 31 December 2020, the Group has checked on the financial statement date whether there are signs of impairment of the long-term assets. The Group estimated the recoverable amount of the relevant assets and compared it with the book value. The Group took the business line as a cash-generating unit, and based on this, the recoverable amount of the asset is determined based on the higher of its fair value minus disposal expenses and the expected future cash flow of the asset group. The estimated future cash flows of the net and cash-generating are consistent with the latest financial statements and forecast data approved by the management of the Group, and the forecast is based on reasonable and supported assumptions. The cash flow or operating profit and loss of this business line has deteriorated significantly, and the Group has provided an impairment amount of US$2,295,000 (2019: Nil) for intangible assets.

18. INVESTMENTS IN ASSOCIATES

	2020 US$'000	2019 US$'000
Share of net assets	4,060	2,615
Impairment losses during the year	(627)	—
Net carrying amount	3,433	2,615
Loans to an associate	2,422	2,007

The loans to an associate was unsecured, interest-bearing and repayable within one year. There was no recent history of default and past due amounts for loans to the associate. As at 31 December 2020, the loss allowance was assessed to be minimal.

The Group's trade receivables with the associates are disclosed in note 40 to the financial statements.

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

	2020 US$'000	2019 US$'000
Share of the associates' loss for the year	(599)	(308)
Share of the associates' total comprehensive loss	(599)	(308)
Aggregate carrying amount of the Group's investments in the associates	3,433	2,615

Indicated by the financial performance of Maple Bio Nanjing for the year ended 31 December 2020, the Group takes into consideration to perform annual impairment assessment for it carrying amounts share of Maple Bio Nanjing. The carrying amount was higher than its recoverable amount. This resulted in the recognition of an impairment loss of US$627,000 (2019: Nil) on the investment.

The recoverable amount of the interest in Maple Bio Nanjing has been determined based on a value-in-use calculation using the Company's share of the present value of the estimated future cash flows expected to be generated by the associate from financial budgets covering an eight-year period. The projected cash flows have been updated to reflect the current financial performance of Maple Bio Nanjing and the key assumptions adopted for growth rates and discount rates used in the value-in-use calculations are based on management's best estimates. Growth rates are determined by considering both internal and external factors. The discount rate applied to the cash flow projections is 22% (2019: Nil).

The values assigned to the key assumptions on market development of the cash-generating units and discount rates are consistent with external information sources.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 US$'000	2019 US$'000
Unlisted equity investments, at fair value	10,555	4,667
Investments in financial products, at fair value	5,866	25,434
	16,421	30,101

The above equity investments at 31 December 2020 and 2019 were classified as financial assets at fair value through profit or loss as they were held for trading.

The above investments in financial products at 31 December 2020 and 2019 were wealth management products issued by banks in China, Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

20. INVENTORIES

	2020 US$'000	2019 US$'000
Raw materials	13,556	5,128
Work in progress	6,451	3,260
Finished goods	13,980	10,634
	33,987	19,022
Less: Provision for inventories	(2,242)	(2,536)
	31,745	16,486

Inventory provision of US$294,000 was reversed for the year ended 31 December 2020 (2019 provided: US$992,000). Inventory provision has been included in "cost of sales" in the consolidated statement of profit or loss.

21. CONTRACT COSTS

	2020 US$'000	2019 US$'000
Costs to fulfil contracts	**5,785**	3,369

22. TRADE AND NOTES RECEIVABLES

	2020 US$'000	2019 US$'000
Trade receivables	**140,266**	74,107
Notes receivable	**4,708**	3,396
	144,974	77,503
Less: Impairment of trade receivables	**(3,226)**	(4,436)
	141,748	73,067

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. The Group's trade receivables relate to a large number of diversified customers except for one major customer, there is no significant concentration of credit risk. the Group's Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's associates of US$570,000 (2019: US$261,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2020 US$'000	2019 US$'000
Within 3 months	**133,185**	68,034
3 months to 6 months	**1,652**	1,585
6 months to 12 months	**1,894**	2,145
Over 1 year	**3,535**	2,343
	140,266	74,107

22. TRADE AND NOTES RECEIVABLES (CONTINUED)

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

	Total US$'000
At 1 January 2020	4,436
Impairment losses recognised	1,791
Impairment losses reversed	(2,435)
Amount written off as uncollectible	(566)
At 31 December 2020	3,226
At 1 January 2019	2,585
Impairment losses recognised	1,851
At 31 December 2019	4,436

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by product type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at 31 December 2020		
	Gross carrying amount US$'000	Expected loss rate	Expected credit loss US$'000
Trade receivables aged:			
Less than 1 year	136,731	0.50%	684
Within 1 to 2 years	2,407	63.64%	1,532
Within 2 to 3 years	508	76.76%	390
Over 3 years	620	100.00%	620
	140,266		3,226

22. TRADE AND NOTES RECEIVABLES (CONTINUED)

	As at 31 December 2019		
	Gross carrying amount US$'000	Expected loss rate	Expected credit loss US$'000
Trade receivables aged:			
Less than 1 year	71,764	3.33%	2,387
Within 1 to 2 years	685	64.96%	445
Within 2 to 3 years	400	86.50%	346
Over 3 years	1,258	100.00%	1,258
	74,107		4,436

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.

The notes receivable was due within six months. The notes receivable was not endorsed or pledged as at 31 December 2020 (2019: Nil).

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		2020 US$'000	2019 US$'000
Current			
VAT recoverable	(i)	**10,875**	9,175
Tax refund		**6,348**	—
Prepayments		**5,887**	8,199
Prepaid expense		**3,676**	1,847
Other receivables		**2,702**	1,925
Interest receivable		**1,646**	1,730
Prepaid income tax		**1,734**	8,779
		32,868	31,655
Less: Impairment of other receivables		**(34)**	(34)
		32,834	31,621

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

		2020 US$'000	2019 US$'000
Non-current			
VAT recoverable	(i)	3,542	—

(i) The Group's domestic sales of goods and rendering of services are subject to PRC 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 2020	34
Impairment losses recognised	637
Amount written off as uncollectible	(637)
At 31 December 2020	34
At 31 December 2019 and January 2019	34

Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

24. RESTRICTED CASH

	2020 US$'000	2019 US$'000
Frozen for the Investigation	4,245	—
Pledged for bills payable	2,970	716
Pledged for credit cards	256	256
	7,471	972

On September 17, 2020, the Customs Anti-Smuggling Department (the "Authority") of the People's Republic of China ("PRC") inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understands to be an investigation (the "Investigation") relating to suspected violations of import and export regulations under the laws of the PRC. At the end of the year, the bank balances frozen for the Investigation were approximately US$4,245,000.

As at 31 December 2020, bank balances of approximately US$2,970,000 were pledged by China entities for notes payable and of approximately US$ 256,000 were pledged by Legend USA for credit cards.

25. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2020 US$'000	2019 US$'000
Cash and bank balances	629,058	252,397
Time deposits	136,245	148,693
	765,303	401,090
Less:		
Time deposits	(136,245)	(148,693)
Cash and cash equivalents	629,058	252,397
Denominated in USD	537,987	159,058
Denominated in RMB	82,733	88,154
Denominated in HKD	4,054	1,531
Denominated in JPY	2,323	1,255
Denominated in SGD	1,180	—
Denominated in EUR	617	1,406
Denominated in other currencies	164	993
Cash and cash equivalents	629,058	252,397

At the end of the year, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$82,733,000 (2019: US$88,154,000). The RMB is not freely convertible into other currencies, however, under PRC'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 authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances 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.

26. TRADE AND BILLS PAYABLES

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

	2020 US$'000	2019 US$'000
Trade payables	19,986	14,559
Bills payable	3,390	3,068
	23,376	17,627

	2020 US$'000	2019 US$'000
Within 3 months	18,880	13,666
3 months to 6 months	351	678
6 months to 12 months	510	105
Over 1 year	245	110
	19,986	14,559

Included in the trade and bills payables are trade payables of US$14,000 (2019: Nil) due to associates which are repayable within 60 days, which represents credit terms similar to those offered by the associates to their major customers.

The trade payables are non-interest-bearing and are normally settled on turnover of 30 to 90 days.

27. OTHER PAYABLES AND ACCRUALS

	2020 US$'000	2019 US$'000
Accrued expenses	68,874	64,740
Accrued payroll — current	40,697	23,210
Payables for purchases of machinery and construction of buildings	35,801	32,560
Other payables	18,779	3,327
Taxes payable other than corporate income tax	4,829	1,198
	168,980	125,035

28. INTEREST-BEARING BANK BORROWINGS

	Notes	2020 Effective interest rate (%)	2020 Maturity	2020 US$'000	2019 Effective interest rate (%)	2019 Maturity	2019 US$'000
Current							
Bank loans — unsecured	(a)	0.6–3.5	2021	44,061	2.4–3.8	2020	16,456
Current portion of long term bank loans — secured	(a)(b)	0.32	2021	581	0.32	2020	552
				44,642			17,008
Non-current							
Non-current portion of long term bank loans — secured	(a)(b)	0.32	2022–2024	1,260	0.32	2021–2024	1,748

	2020 US$'000	2019 US$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	44,642	17,008
In the second year	581	552
In the third to fifth years, inclusive	679	1,196
	45,902	18,756

(a) The Group's overdraft facilities amounting to US$186,242,824 (2019: US$25,000,000), of which US$46,968,551 (2019: US$9,456,123) had been utilized as at the end of the reporting period.

(b) Certain of the Group's bank loan is secured by the land and buildings with a book value of approximately US$11,988,000 (2019:US$11,547,000).

29. CONTRACT LIABILITIES

	2020 US$'000	2019 US$'000
Non-current		
License and collaboration revenue	**277,052**	277,827
Current		
License and collaboration revenue	**55,014**	46,294
Rendering of services	**29,143**	13,403
Sales of products	**257**	433
	84,414	60,130
	361,466	337,957

The movements in contract liabilities during the year are as follows:

	US$'000
At 1 January 2020	**337,957**
Advance received/due for payment	**91,895**
Transferred to revenue	**(75,680)**
Exchange realignment	**7,294**
At 31 December 2020	**361,466**
At 1 January 2019	303,145
Advance received/due for payment	99,053
Transferred to revenue	(57,261)
Exchange realignment	(6,980)
At 31 December 2019	337,957

Contract liabilities include advances received/due for payment at the end of each year. Contract liabilities are recognized as revenue upon the Group satisfying its performance obligations under the agreement.

30. GOVERNMENT GRANTS

	2020 US$'000	2019 US$'000
At 1 January	3,933	4,116
Grants received during the year	7,969	—
Amount released	(290)	(111)
Exchange realignment	262	(72)
At 31 December	11,874	3,933
Current	379	90
Non-current	11,495	3,843
	11,874	3,933

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

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation US$'000	Fair value adjustments arising from acquisition of a subsidiary US$'000	Unrealised loss from intercompany transactions US$'000	Unrealized fair value of financial assets through profit or loss US$'000	Total US$'000
At 1 January 2020	2,777	3,747	531	—	7,055
Deferred tax charged/(credited) to the statement of profit or loss during the year	13,621	(722)	(531)	201	12,569
Exchange realignment	554	(22)	—	(3)	529
Gross deferred tax liabilities at 31 December 2020	16,952	3,003	—	198	20,153*
At 1 January 2019	46	4,017	—	—	4,063
Deferred tax charged/(credited) to the statement of profit or loss during the year	2,762	(267)	531	—	3,026
Exchange realignment	(31)	(3)	—	—	(34)
Gross deferred tax liabilities at 31 December 2019	2,777	3,747	531	—	7,055

31. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Accrued expenses US$'000	Decelerated depreciation for tax purposes US$'000	Impairment of assets US$'000	Unrealised profit from intercompany transactions US$'000	Government grants US$'000	Losses available for offsetting against future taxable profits US$'000	Unrealised fair value of financial assets at fair value through profit or loss US$'000	Total US$'000
At 1 January 2020	1,183	–	1,271	1,194	963	2,554	9	7,174
Deferred tax credited/(charged) to the statement of profit or loss during the year	795	–	(579)	545	323	8,244	(9)	9,319
Exchange realignment	109	–	62	–	78	83	–	332
Gross deferred tax assets at 31 December 2020	2,087	–	754	1,739	1,364	10,881	–	16,825*
At 1 January 2019	1,101	103	1,265	8,076	617	726	–	11,888
Deferred tax credited/(charged) to the statement of profit or loss during the year	97	(112)	17	(6,882)	359	1,842	9	(4,670)
Exchange realignment	(15)	9	(11)	–	(13)	(14)	–	(44)
Gross deferred tax assets at 31 December 2019	1,183	–	1,271	1,194	963	2,554	9	7,174

* Deferred tax liabilities and deferred tax assets amounted to about US$13,123,000 (2019: US$1,473,000) were net off in subsidiaries' financial statements.

31. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 US$'000	2019 US$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**7,030**	5,582
Net deferred tax assets recognised in the consolidated statement of financial position	**3,702**	5,701

Deferred tax assets have not been recognised in respect of the following items:

	2020 US$'000	2019 US$'000
Tax losses	**239,798**	191,347
Withholding tax	**152,168**	120,342
	391,966	311,689

The Group has tax losses arising in Hong Kong of US$614,000 (2019: US$1,227,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group has tax losses arising in Mainland China of US$79,030,000 (2019: US$32,593,000) that will expire in five years and US$0 (2019: US$5,842,000) that will expire in ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses arising in the United States of US$113,291,000 (2019: US$113,393,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

31. DEFERRED TAX (CONTINUED)

The Group has tax losses arising in Irelands of US$46,851,000 (2019: US$38,290,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group has tax losses arising in Netherlands of US$12,000 (2019: US$2,000) that will expire in six years for offsetting against future taxable profits.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020, deferred tax has not been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized was US$152,168,000 at 31 December 2020 (2019: US$120,342,000).

32. SHARE CAPITAL AND SHARE PREMIUM

Shares

	31 December 2020 US$'000	31 December 2019 US$'000
Authorised:		
Ordinary shares of US$0.001 each	5,000	5,000
Issued and fully paid:		
Ordinary shares of US$0.001 each	1,954	1,879

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

	Notes	Number of shares in issue	Share capital US$'000	Treasury shares US$'000	Share premium US$'000	Total US$'000
At 1 January 2019		1,835,363,077	1,836	—	364,100	365,936
Purchases of non-controlling interests of the subsidiary		—	—	—	(1,588)	(1,588)
Acquisition of equity by non-controlling shareholders	(a)	—	—	—	383	383
Shares repurchased		—	—	(7,774)	—	(7,774)
Share options exercised		43,013,573	43	—	5,886	5,929
At 31 December 2019 and 1 January 2020		1,878,376,650	1,879	(7,774)	368,781	362,886
Acquisition of equity by non-controlling shareholders	(a)	—	—	—	372	372
Issue of ordinary shares for initial public offering of Legend Cayman	(b)	—	—	—	690,519	690,519
Shares repurchased		—	—	(9,460)	—	(9,460)
Exercise of share options and restricted share units		74,906,530	75	522	14,506	15,103
Dividends paid to non-controlling shareholders		—	—	—	(7,631)	(7,631)
At 31 December 2020		1,953,283,180	1,954	(16,712)	1,066,547	1,051,789

32. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Shares (continued)

(a) On October 19, 2017, the deemed disposals of the Group's equity interest in Nanjing Bestzyme was completed. Upon completion, the equity interest of Bestzyme Biotech HK Limited ("HK Biotech") in Nanjing Bestzyme was diluted to 92.59% by Nanjing Genbest L.P ("Genbest"). Pursuant to the Bestzyme capital increase agreement, Genbest shall pay the total amount of Bestzyme Capital Increase in four installments, collectively contributing US$1,179,000, US$398,000, US$383,000, and US$372,000 on 31 August 2017, 30 June 2018, 30 June 2019, and 30 June 2020, respectively.

(b) On March 30, 2020 and on April 16, 2020, Legend Cayman issued a total of 20,591,629 Series A convertible redeemable preferred shares (the "Series A Preference Shares") to independent third parties, at the price of US$7.792 per share for an aggregate purchase consideration of US$160,450,000. All Series A Preferred Shares were converted into ordinary shares of the Company and all accrued but unpaid dividends were settled in the form of ordinary shares upon qualified IPO in June 2020. A fair value loss of $ US$79,984,000 was recorded in the year ended 31 December 2020 due to change in fair value upon conversion. Details of convertible redeemable preferred shares are included in note 35.

On 5 June 2020, Legend Cayman completed its initial public offering ("IPO") on the NASDAQ with total net proceeds of approximately US$450,085,000 since the underwriters exercise their over-allotment option in full, after deducting the underwriting discounts and commissions (7%) and the IPO related offering expenses.

33. SHARE OPTION SCHEME

a) The Company

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

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

	2020		2019	
	Weighted average exercise price US$ per share	Number of options '000	Weighted average exercise price US$ per share	Number of options '000
At 1 January	0.4765	227,418	0.3444	261,842
Granted during the year	1.7365	8,605	2.4010	10,400
Forfeited during the year	2.0433	(4,497)	1.6192	(1,810)
Exercised during the year	0.1143	(74,907)	0.0903	(43,014)
At 31 December	0.6739	156,619	0.4765	227,418
Exercisable at 31 December	0.2401	92,760	0.1037	148,825

The weighted average share price at the date of exercise for share options exercised during the year was HK$14.2748 (2019: HK$18.9378) per share.

33. 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 year are as follows:

31 December 2020 Number of options '000	Exercise price* US$ per share	Exercise period
194	0.0515	2013/8/10~2025/7/31
68,016	0.0617	2014/12/31~2025/7/31
3,680	0.0772	2010/12/31~2025/7/31
758	0.1029	2013/2/10~2025/7/31
8,085	0.1552	2016/6/22~2026/6/21
8,939	0.3102	2017/9/23~2026/9/22
22,042	0.4514	2019/4/25~2027/4/25
9,985	1.0672	2019/12/31~2027/10/10
7,540	1.1969	2019/12/31~2027/11/19
5,225	1.7857	2021/4/29~2030/4/28
1,695	1.7948	2018/11/29~2023/11/28
3,945	2.3444	2020/7/19~2029/7/18
5,035	2.4444	2020/11/28~2029/11/28
8,400	3.3710	2019/1/1~2028/5/3
720	1.9355	2020/9/1~2025/8/31
2,360	1.5606	2021/11/21~2030/12/27
156,619		

33. SHARE OPTION SCHEME (CONTINUED)

a) The Company (continued)

31 December 2019 Number of options '000	Exercise price* US$ per share	Exercise period
194	0.0515	2013/08/10~2025/07/31
68,016	0.0617	2014/12/31~2025/07/31
46,776	0.0772	2010/12/31~2025/07/31
28,075	0.1029	2013/02/10~2025/07/31
8,316	0.1552	2016/06/22~2026/06/21
10,679	0.3102	2017/09/23~2026/09/22
24,002	0.4514	2019/04/25~2027/04/25
11,175	1.0672	2019/12/31~2027/10/10
8,385	1.1969	2019/12/31~2027/11/19
2,000	1.7948	2018/11/29~2023/11/28
4,515	2.3444	2020/07/19~2029/07/18
5,885	2.4444	2020/11/29~2029/11/28
9,400	3.3710	2019/01/01~2028/05/03
227,418		

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

The fair value of the share options granted during the year was US$7,099,000 (US$0.825 each) (2019: US$12,152,000 (US$1.168 each). The Group recognised a share option expense of US$11,327,000 (2019: US$8,955,000) during the year ended 31 December 2020.

33. SHARE OPTION SCHEME (CONTINUED)

a) The Company (continued)

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

	2020	2019
Dividend yield (%)	—	—
Expected volatility (%)	47–48	46–47
Risk-free interest rate (%)	0.35–0.75	1.46–1.54
Expected life of options (year)	5–10	10

The weighted average share price was HK$13.2914 (2019: HK$18.6395) used in the share option fair value valuation model during the year ended 31 December 2020.

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 31 December 2020, the Company had 156,619,000 share options outstanding under the share option scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 156,619,000 additional ordinary shares of the Company, an additional share capital of approximately US$156,619 and a share premium of approximately US$105,389,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 155,789,000 share options outstanding under the share option scheme, which represented approximately 8.0% of the Company's shares in issue as at that date.

b) The Legend

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

33. SHARE OPTION SCHEME (CONTINUED)

b) The Legend (continued)

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 year:

	2020		2019	
	Weighted average exercise price US$ per share	Number of options '000	Weighted average exercise price US$ per share	Number of options '000
At 1 January	0.9273	18,013	0.7782	14,311
Granted during the year	15.6128	679	1.4973	3,757
Exercise during the year	1.0131	(1,682)	—	—
Forfeited during the year	0.9963	(2,769)	1.0909	(55)
At 31 December	1.9353	14,241	0.9273	18,013
Exercisable at 31 December	1.0703	4,619	0.7852	2,484

The weighted average share price at the date of exercise for share options exercised during the year was US$14.9131 per share (2019: No share options were exercised).

33. SHARE OPTION SCHEME (CONTINUED)

b) The Legend (continued)

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

31 December 2020 Number of options '000	Exercise price* US$ per share	Exercise period
5,393	0.5	2019/12/25~2027/12/25
4,317	1.0	2019/07/01~2028/08/29
540	1.0	2019/12/31~2028/12/30
2,868	1.5	2020/07/02~2029/07/01
444	11.5	2020/11/29~2029/11/28
90	11.5	2021/6/5~2030/6/4
569	16.3	2021/9/1~2030/8/31
20	13.6	2021/11/19~2030/11/18
14,241		

31 December 2019 Number of options '000	Exercise price* US$ per share	Exercise period
6,347	0.5	2019/12/25~2027/12/25
7,283	1.0	2019/07/01~2028/08/29
656	1.0	2019/12/31~2028/12/30
3,225	1.5	2020/07/02~2029/07/01
502	1.5	2020/11/29~2029/11/28
18,013		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. Pursuant to certain listing rules of the Hong Kong Stock Exchange to which members of the Genscript Group are subject to, the Company adjusted the exercise price of options granted during November 29, 2019 through December 9, 2019 to $11.50 per share. Concurrent with this adjustment, the Company agreed to pay each employee holding affected share options an amount in cash representing the difference between the adjusted exercise price over the original exercise price upon exercising the share options.

The fair value of the share options granted during the year was US$6,666,000 (US$9.8172 each) (2019: US$1,099,000, US$0.2944 each). The Legend recognised a share option expense of US$1,905,000 (2019: US$1,272,000) during the year ended 31 December 2020.

33. SHARE OPTION SCHEME (CONTINUED)

b) The Legend (continued)

The fair value of equity-settled share options granted during the year 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:

	2020	2019
Dividend yield (%)	—	—
Expected volatility (%)	73.0–87.2	66.4–80.3
Risk-free interest rate (%)	0.07–0.91	1.98–2.69
Expected life of options (year)	10	10

The weighted average share price was US$15.6128 used in the share option fair value valuation model during the year ended 31 December 2020.

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 14,241,000 share options outstanding under the scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Legend, result in the issue of 14,241,000 additional ordinary shares of the Legend, an additional share capital of approximately US$1,424 and a share premium of approximately US$23,122,344 (before issue expenses).

34. RESTRICTED STOCK SHARES

a) The Company

The Company operates a restricted stock units scheme (the "RSU Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, and employees of any member of the Group. The Scheme became effective on March 22, 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The RSU Scheme has a performance vesting condition and is subject to forfeiture if the participants cannot meet certain performance target set by the board of directors.

The movement in the number of RSU outstanding for the year ended 31 December 2020 was as follows:

	Numbers 2020	Numbers 2019
At 1 January	1,198	—
Granted during the year	4,541	1,198
Forfeited during the year	(175)	—
Exercised during the year	(234)	—
At 31 December	5,330	1,198

The weighted-average remaining contractual life for outstanding RSUs granted under the RSU Plan was 4.70 (2019: 4.66) years as of 31 December 2020.

The fair value of the awarded shares was calculated based on the market price of the Group's shares at the respective grant date.

The fair value of the share options granted during the year was US$7,119,000 (US$1.568 each) (2019: US$2,823,000 (US$2.357 each)). The Group recognised a share option expense of US$1,550,000 (2019: US$555,000) during the year ended 31 December 2020.

34. RESTRICTED STOCK SHARES (CONTINUED)

b) The Legend

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

The movement in the number of RSU outstanding for the year ended 31 December 2020 was as follows:

	Numbers 2020 '000	Numbers 2019 '000
At 1 January	—	—
Granted during the year	1,139	—
Forfeit during the year	(27)	—
At 31 December	1,112	—

The weighted-average remaining contractual life for outstanding RSUs granted under the RSU Plan was 8.84 years as of 31 December 2020.

The fair value of the awarded shares was calculated based on the market price of the Legend's shares at the respective grant date.

The fair value of the restricted stock units granted during the year was US$17,497,000 (US$15.364 each) (for the year ended 31 December 2019: Nil). The Legend recognised a restricted stock units expense of US$2,855,000 (for the year ended 31 December 2019: Nil) during the year ended 31 December 2020.

35. CONVERTIBLE REDEEMABLE PREFERRED SHARES

On March 30, 2020 and on April 16, 2020, Legend Cayman issued a total of 20,591,629 Series A convertible redeemable preferred shares (the "Series A Preference Shares") to independent third parties, at the price of US$7.792 per share for an aggregate purchase consideration of US$160,450,000.

All Series A Preferred Shares were converted into ordinary shares of Legend Cayman and all accrued but unpaid dividends were settled in the form of ordinary shares upon qualified IPO in June 2020. A fair value loss of $ US$79,984,000 was recorded in the year ended 31 December 2020 due to change in fair value upon conversion.

The movement of the convertible redeemable preferred shares is set out as below:

	2020 US$'000
At 1 January 2020	–
Issuance of the Series A Preference Shares on 30 March 2020 and on 16 April 2020	160,450
Fair value loss of the Series A Preference Shares	79,984
Conversion to ordinary shares	(240,434)
At 31 December 2020	–

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 170 to 171 of the financial statements.

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with a functional currency other than USD.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US$5,257,000 and US$5,257,000, respectively, in respect of lease arrangements for buildings and rooms (2019: Nil).

During the year, the Group had non-cash additions to intangible assets of US$1,872,000 (2019: US$6,966,000).

During the year, the Group had non-cash fair value loss of $79,984,000 (2019: Nil) of Legend Series A Preferred Shares.

(b) Changes in liabilities arising from financing activities

2020

	Lease liabilities — Buildings and rooms US$'000	Bank and other loans US$'000
At 31 January 2020	5,377	18,756
Changes from financing cash flows	(1,875)	24,201
New leases/additions	5,257	—
Exchange realignment	342	—
Interest expense	352	—
Interest paid classified as operating cash flows	(352)	—
At 31 December 2020	9,101	42,957

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

2019

	Lease liabilities — Buildings and rooms US$'000	Bank and other loans US$'000
At 1 January 2019	5,934	10,502
Changes from financing cash flows	(1,412)	8,254
New leases/additions	855	—
Interest expense	312	—
Interest paid classified as operating cash flows	(312)	—
At 31 December 2019	5,377	18,756

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 US$'000	2019 US$'000
Within operating activities	**1,565**	1,226
Within financing activities	**1,875**	1,412
At 31 December 2020	**3,440**	2,638

38. PLEDGE OF ASSETS

Details of the Group's time deposits pledged for the Group's bills payables and credit cards are included in note 25 to the financial statements.

Details of the Group's land and buildings and investment properties pledged for the Group's bank loans are included in note 13 and note 14 to the financial statements.

39. COMMITMENTS

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

	2020 US$'000	2019 US$'000
Contracted, but not provided for: plant and machinery	**39,224**	42,177

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are US$795 due within one year.

40. RELATED PARTY TRANSACTIONS

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

Company	Relationship
Hunan Gomeet Biotechnology Co., Ltd. ("Gomeet")	Associate
Maple Bio (Nanjing) Co., Ltd. ("Maple Bio Nanjing")	Associate
Maple Bio HK Limited ("Maple Bio HK")	Associate
Maple Bio ("Maple Bio")	Associate
GenScript Corporation ("GS Corp")	The ultimate holding company

40. 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 year:

	Notes	2020 US$'000	2019 US$'000
Sales of products to Gomeet	(i)	280	399
Sales of products and service to Maple Bio Nanjing	(i)	222	25
Purchase of products from Gomeet	(i)	69	—
Loans to Maple Bio Nanjing	(ii)	2,222	2,007
Loans to Maple Bio HK	(ii)	200	—
Purchase convertible bond issued by Maple Bio	(iii)	1,200	—

Note:

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

(ii) The loans to Maple Bio Nanjing and Maple Bio HK were unsecured and repayable within one year with interest rate 0% to 5.15%. The Group recognized interest income of US$101,000 (2019: US$15,000) during the year ended 31 December 2020.

(iii) The convertible bond is issued by Maple Bio in the aggregate principal amount of US$1,200,000 for a purchase price of US$1,200,000 in cash and was interest free.

(b) Outstanding balances with related parties:

The Group had the following significant balances with its related parties during the year:

(i) Due from related parties

	2020 US$'000	2019 US$'000
Maple Bio Nanjing	2,564	2,026
Maple Bio	89	89
Maple Bio HK	201	1
Gomeet	136	97
GS Corp	2	55
	2,992	2,268

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties: (continued)

(i) Due from related parties (continued)

Excepted for the balance amounted to US$2,222,000 (2019: US$2,007,000) with Maple Bio Nanjing and US$200,000 (2019: Nil) with Maple Bio HK which were unsecured, interest-bearing and repayable within one year, the other balances are unsecured, interest-free and have no fixed terms of repayment.

(ii) Due to related party

	2020 US$'000	2019 US$'000
Gomeet	14	–

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

	2020 US$'000	2019 US$'000
Short-term employee benefits	3,734	2,843
Pension scheme contributions	9	24
Equity-settled share-based compensation expense	1,114	902
Total compensation paid to key management personnel	4,857	3,769

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items in note (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition US$'000	Financial assets at amortised cost US$'000	Total US$'000
Trade and notes receivables	—	141,748	141,748
Financial assets included in prepayments, other receivables and other assets	—	4,348	4,348
Financial assets at fair value through profit or loss	16,421	—	16,421
Loans to associates	—	2,422	2,422
Time deposits	—	136,245	136,245
Restricted cash	—	7,471	7,471
Cash and cash equivalents	—	629,058	629,058
	16,421	921,292	937,713

Financial liabilities

	Financial liabilities at amortised US$'000
Trade and bills payables	23,376
Financial liabilities included in other payables and accruals	122,583
Interest-bearing bank borrowings	45,902
Lease liabilities	9,101
	200,962

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2019

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition US$'000	Financial assets at amortised cost US$'000	Total US$'000
Trade and notes receivables	—	73,067	73,067
Financial assets included in prepayments, other receivables and other assets	—	3,655	3,655
Financial assets at fair value through profit or loss	30,101	—	30,101
Pledged deposits	—	972	972
Time deposits	—	148,693	148,693
Cash and cash equivalents	—	252,397	252,397
	30,101	478,784	508,885

Financial liabilities

	Financial liabilities at amortised US$'000
Trade and bills payables	17,627
Financial liabilities included in other payables and accruals	35,887
Interest-bearing bank and other borrowings	18,756
Lease liabilities	5,377
	77,647

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values

Management has assessed that the fair values of cash and cash equivalents, restricted cash, time deposits, financial assets included in prepayments, other receivables and other assets, trade and notes receivables, trade and bills payables and financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

The Group invests in unlisted investments, which represent Convertible Bond issued by Maple Bio. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020:

	Valuation technique	Significant unobservable input	Ratio	Sensitivity of fair value to the input
Convertible Bond	Binomial-Model	Volatility	73.15%	10% increase/decrease in multiple would result in increase/decrease in fair value by US$32,000/US$26,000

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial assets at fair value through profit or loss	—	15,352	1,069	16,421

As at 31 December 2019

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

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

Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 US$'000
Financial assets at fair value through profit or loss	
At 1 January	–
Purchases	1,200
Impairment	(131)
At 31 December	1,069

During the year end 31 December 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, time deposits and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 4% (2019: 6%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, whilst approximately 1% (2019: 2%) of costs were denominated in currencies other than the units' functional currencies.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in the rate of foreign currency %	Increase/ (decrease) in loss before tax US$'000
Year ended 31 December 2020		
If US$ strengthens against RMB	**5**	**12,137**
If US$ weakens against RMB	**(5)**	**(12,137)**
Year ended 31 December 2019		
If US$ strengthens against RMB	5	6,491
If US$ weakens against RMB	(5)	(6,491)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total US$'000
Trade and notes receivables*	—	—	—	144,974	144,974
Financial assets included in prepayments and other receivables					
— Normal**	4,348	—	—	—	4,348
— Doubtful**	—	—	—	—	—
Time deposits					
— not yet past due	136,245	—	—	—	136,245
Restricted cash	7,471	—	—	—	7,471
Cash and cash equivalents					
— not yet past due	629,058	—	—	—	629,058
	777,122	—	—	144,974	922,096

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'000	Stage 2 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total US$'000
Trade and notes receivables*	—	—	—	77,503	77,503
Financial assets included in prepayments and other receivables					
— Normal**	3,655	—	—	—	3,655
— Doubtful**	—	—	—	—	—
Time deposits					
— not yet past due	148,693	—	—	—	148,693
Restricted cash	972	—	—	—	972
Cash and cash equivalents					
— not yet past due	252,397	—	—	—	252,397
	405,717	—	—	77,503	483,220

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 22 and 23 to the financial statements, respectively.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

Year ended 31 December 2020

	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Interest-bearing bank borrowings	—	24,589	20,535	1,264	—	46,388
Trade and bills payables	—	23,376	—	—	—	23,376
Other payables and accruals	—	122,583	—	—	—	122,583
Lease liabilities	—	468	2,120	5,078	2,060	9,726
	—	171,016	22,655	6,342	2,060	202,073

Year ended 31 December 2019

	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Interest-bearing bank borrowings	—	17,144	419	1,758	—	19,321
Trade and bills payables	—	17,627	—	—	—	17,627
Other payables and accruals	—	35,887	—	—	—	35,887
Lease liabilities	—	322	1,447	3,807	614	6,190
	—	70,980	1,866	5,565	614	79,025

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of the years were as follows:

	2020 US$'000	2019 US$'000
Total liabilities	631,815	517,113
Total assets	1,447,406	889,411
Gearing ratio	43.7%	58.1%

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 US$'000	2019 US$'000
NON-CURRENT ASSETS		
Loans to an associate	200	—
Investments in subsidiaries	113,444	97,420
Total non-current assets	113,644	97,420
CURRENT ASSETS		
Financial assets at fair value through profit or loss	5,075	25,503
Due from subsidiaries	241,335	181,109
Interest receivable	2	1,060
Prepayments, other receivables and other assets	823	277
Time deposits	20,612	57,334
Cash and cash equivalents	27,796	45,062
Total current assets	295,643	310,345
CURRENT LIABILITIES		
Due to subsidiaries	21,507	19,348
Trade and bills payables	26	18
Other payables and accruals	10	30
Total current liabilities	21,543	19,396
NET CURRENT ASSETS	274,100	290,949
TOTAL ASSETS LESS CURRENT LIABILITIES	387,744	388,369
Net assets	387,744	388,369
EQUITY		
Share capital	1,954	1,879
Treasury shares	(16,712)	(7,774)
Reserves	402,502	394,264
Total equity	387,744	388,369

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium US$'000	Share option reserve US$'000	Fair value reserve of financial assets at fair value through other comprehensive income US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2019	365,516	18,251	(11)	(5,100)	378,656
Total comprehensive loss for the year	—		11	2,289	2,300
Exercise of share options and restricted share units	5,886	(2,086)	—	—	3,800
Equity-settled share-based compensation expense	—	9,508	—	—	9,508
At 31 December 2019 and 1 January 2020	**371,402**	**25,673**	**—**	**(2,811)**	**394,264**
Total comprehensive loss for the year	**—**	**—**	**—**	**2,778**	**2,778**
Exercise of share options and restricted share units	**12,625**	**(4,660)**	**—**	**—**	**7,965**
Equity-settled share-based compensation expense	**—**	**12,374**	**—**	**—**	**12,374**
Dividends paid to non-controlling shareholders	**—**	**(14,879)**	**—**	**—**	**(14,879)**
At 31 December 2020	**384,027**	**18,508**	**—**	**(33)**	**402,502**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised or be transferred to retained profits should the related options expire or be forfeited.

45. CONTINGENT LIABILITY

On 17 September 2020, the Authority of the PRC inspected the Group's places of business in Nanjing and Zhenjiang, China. The inspections were in connection with what the Company understands to be an investigation relating to suspected violations of import and export regulations under the laws of the PRC. In connection with the Investigation, certain employees and Dr. Zhang, the then chairman of the board, have been arrested for the suspected offence of smuggling goods prohibited by the import and export regulations under the laws of the PRC. Dr. Zhang resigned from the positions of chairman of the Board, non-executive director, member and chairman of the nomination committee of the Company, and the member and chairman of the sanctions risk control committee of the Company on 22 November 2020. On 9 February 2021, Dr. Zhang was released on bail by the Authority. To the best of the Company's knowledge, no formal charges have been made or filed against any entity within the Group or individual yet and there have been no other details released by the Authority.

The bank balances frozen by the Authority in connection with the Investigation were approximately US$4,245,000 as at 31 December 2020, which were included in Restricted Cash in the financial position and disclosed in Note 24. The frozen bank balances were partially released by the Authority in March 2021 and the remaining frozen balances were approximately US$1,533,000 with a frozen period from 24 March 2021 to 23 September 2021. As there are no formal charges made against any entity within the Group or any individual yet and there have been no other details released by the Authority, the Company is not able to make a sufficiently reliable estimate of the amount of the obligation and no accrual was made in the consolidated financial statements in connection with the Investigation as at 31 December 2020. The Company will continue to monitor the developments of the Investigation and assess the impact to the consolidated financial statements. Despite the Investigation, the Group's business operations remain normal.

46. SUBSEQUENT EVENT

At the end of the year, the bank balance frozen for the Investigation was approximately US$4,245,000. The frozen bank balances were partially released by the Authority in March 2021 and the remaining frozen balances were approximately US$1,533,000 with a frozen period from 24 March 2021 to 23 September 2021.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.


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