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## **GIANT BIOGENE HOLDING CO., LTD**

### **巨子生物控股有限公司**

*(An exempted company incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2367)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022**

#### **FINANCIAL HIGHLIGHTS**

	<b>Year ended December 31</b>		<b>Changes</b>
	<b>2022</b>	<b>2021</b>	
	<i>RMB million</i>	<i>RMB million</i>	
Revenue	<b>2,364.4</b>	1,552.5	52.3%
Gross profit	<b>1,995.2</b>	1,354.3	47.3%
Profit before tax	<b>1,177.7</b>	972.9	21.1%
Net profit	<b>1,001.6</b>	828.1	21.0%
Earnings attributable to the owners of parent company	<b>1,002.0</b>	828.1	21.0%
Adjusted net profit for the year (non-IFRS measure)	<b>1,056.4</b>	851.3	24.1%
Basic earnings per Share	<b>0.99</b>	0.83	19.3%
Diluted earnings per Share	<b>0.98</b>	0.83	18.1%

The board (the “**Board**”) of directors (the “**Directors**”) of Giant Biogene Holding Co., Ltd (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2022 (the “**Reporting Period**”) with the comparative figures for the corresponding period in 2021. The above annual results have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31	
		2022 RMB'000	2021 RMB'000
REVENUE	4	2,364,445	1,552,486
Cost of sales		(369,205)	(198,149)
<b>Gross profit</b>		<b>1,995,240</b>	<b>1,354,337</b>
Selling and distribution expenses		(706,370)	(346,211)
Administrative expenses		(111,073)	(72,274)
Research and development costs		(44,043)	(24,954)
Other expense		(704)	(2,954)
Other income	4	68,712	33,155
Other gains or losses, net	5	(23,378)	32,144
Finance cost		(21)	–
Provision for impairment losses on financial assets, net		(614)	(326)
<b>PROFIT BEFORE TAX</b>		<b>1,177,749</b>	972,917
Income tax expense	7	(176,163)	(144,785)
<b>PROFIT FOR THE YEAR</b>		<b>1,001,586</b>	828,132
<b>Attributable to:</b>			
Owners of the parent		1,002,025	828,132
Non-controlling interests		(439)	–
		<b>1,001,586</b>	828,132
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,001,586</b>	828,132
<b>Attributable to:</b>			
Owners of the parent:			
Ordinary shares holders of the parent		695,998	808,809
Preferred shares holders of the parent		306,027	19,323
Non-controlling interests		(439)	–
		<b>1,001,586</b>	828,132
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic (RMB yuan)	8	0.99	0.83
Diluted (RMB yuan)	8	0.98	0.83

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>As at December 31</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>491,421</b>	274,336
Investment properties		–	24,170
Other intangible assets		<b>6,751</b>	7,598
Right-of-use assets		<b>60,233</b>	59,190
Prepayments, other receivables and other assets, non-current		<b>40,895</b>	70,240
Deferred tax assets		<b>1,190</b>	1,352
<b>Total non-current assets</b>		<b>600,490</b>	436,886
<b>CURRENT ASSETS</b>			
Inventories	9	<b>183,895</b>	89,394
Trade and bills receivables	10	<b>69,420</b>	65,639
Prepayments, other receivables and other assets, current	11	<b>87,496</b>	27,682
Financial assets at fair value through profit or loss ("FVTPL")	12	<b>865,973</b>	155,607
Cash and cash equivalents	13	<b>1,330,951</b>	7,103,000
<b>Total current assets</b>		<b>2,537,735</b>	7,441,322
<b>CURRENT LIABILITIES</b>			
Trade payables	14	<b>54,653</b>	23,612
Other payables and accruals	15	<b>136,399</b>	6,362,837
Tax payable		<b>75,020</b>	71,355
Lease liabilities, current		<b>881</b>	–
Dividend payables		–	367,460
Deferred income		<b>1,503</b>	1,500
Contract liabilities	16	<b>12,449</b>	16,278
<b>Total current liabilities</b>		<b>280,905</b>	6,843,042
<b>NET CURRENT ASSETS</b>		<b>2,256,830</b>	598,280
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,857,320</b>	1,035,166

	<b>As at December 31</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities, non current	<b>1,705</b>	–
Deferred income	<b>18,179</b>	17,584
Deferred tax liabilities	<b>403</b>	771
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>20,287</b>	18,355
	<hr/>	<hr/>
<b>Net assets</b>	<b>2,837,033</b>	1,016,811
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<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Ordinary share capital	<b>63</b>	58
Preferred share capital	–	23
Treasury shares	<b>(1)</b>	(1)
Reserves	<b>2,833,410</b>	1,016,731
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	<b>2,833,472</b>	1,016,811
	<hr/>	<hr/>
Non-controlling interests	<b>3,561</b>	–
	<hr/>	<hr/>
<b>Total equity</b>	<b>2,837,033</b>	1,016,811
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## NOTES TO FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Giant Biogene Holding Co., Ltd (the “**Company**”) was incorporated in the Cayman Islands on 28 July 2021 as a limited liability company. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 4 November 2022.

During the year ended December 31, 2022, the Company’s subsidiaries were principally engaged in the research, development, manufacture and sale of bioactive material-based beauty and health products in the People’s Republic of China (the “**PRC**”).

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), (which include all IFRSs, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (the “**IASB**”), 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 financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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.

If the Group loses control over a subsidiary, it derecognizes (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 recognizes (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 recognized 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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendment to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and none of them was onerous. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>3</sup></i>
IFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>2,4</sup></i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information<sup>5</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3,6</sup></i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants<sup>3</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>

<sup>1</sup> No mandatory effective date yet determined but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>4</sup> As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

<sup>5</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

<sup>6</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

The Group is in the process of making an assessment of the impact of these new or revised IFRSs upon initial application. So far, the Group considers that these standards will not have a significant impact on the Group's financial performance and financial position.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into one single business unit that primarily includes the research, development, manufacture and sale of bioactive material-based beauty and health products.

The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors review the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

#### Geographical information

During the year, all of the Group's revenue was derived from customers located in Mainland China and all of the Group's non-current assets were located in Mainland China, and therefore no geographical segment information in accordance with IFRS 8 Operation Segments is presented.

#### Information about major customers

Revenue of approximately RMB416,827,000 (2021: RMB454,459,000) was derived from sales to Xi'an Chuangkecun Electronic Commerce Limited ("Xi'an Chuangkecun"), accounting for approximately 17.63% (2021: 29.27%). Other than this customer, the Group has a large number of customers, none of whom contributed 10.00% or more of the Group's revenue for the year ended 31 December 2022 and 2021.

### 4. REVENUE AND OTHER INCOME

#### Revenue

An analysis of revenue is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers	<u>2,364,445</u>	<u>1,552,486</u>

#### *Revenue from contracts with customers*

#### *Disaggregated revenue information*

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
<b>Type of goods or services</b>		
Sale of goods	<u>2,364,445</u>	<u>1,552,486</u>
<b>Geographical market</b>		
Mainland China	<u>2,364,445</u>	<u>1,552,486</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<u>2,364,445</u>	<u>1,552,486</u>

The following table shows the amounts of revenue recognized in current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognized from performance obligations satisfied in previous periods:

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue recognized that was included in contract liabilities at the beginning of the reporting period:</b>		
Sale of goods	<b>16,278</b>	1,173

#### **Other income**

An analysis of other income is as follows:

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other income</b>		
Government grants*	<b>44,871</b>	20,770
Interest income	<b>13,159</b>	9,408
Others	<b>10,682</b>	2,977
	<b>68,712</b>	33,155

\* The government grants related to income represent (i) subsidies received from local government authorities for the Group's contribution to the local economic growth. These grants related to income are mainly recognized in profit or loss upon receipt of these rewards with consideration of no unfulfilled conditions or contingencies relating to these grants; and (ii) subsidies received to compensate for the Group's expenses for research projects. The grants related to income were recognized in profit or loss when the Group complied with the conditions attached to the grant and the government acknowledged acceptance.

The government grants related to assets represent subsidies received from local government authorities for the Group's investments in long-term assets in production and research and development bases. The grants related to assets were recognized in profit or loss over the remaining useful lives of relevant assets.

#### **5. OTHER GAINS OR LOSSES, NET**

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Foreign exchange (losses)/gains, net	<b>(14,446)</b>	21,606
Fair value (losses)/gains on financial assets at FVTPL	<b>(8,281)</b>	14,474
Others	<b>(651)</b>	(3,936)
	<b>(23,378)</b>	32,144

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2022</b>	2021
		<b>RMB'000</b>	<i>RMB'000</i>
Cost of inventories, consumables and customized products		<b>264,463</b>	143,878
Depreciation of property, plant and equipment		<b>24,008</b>	20,111
Depreciation of investment properties		<b>479</b>	1,917
Depreciation of right-of-use assets		<b>1,708</b>	868
Amortization of intangible assets		<b>1,433</b>	1,314
(Reversal of)/provision for impairment of trade and bills receivables		<b>(145)</b>	48
Provision for impairment of prepayments, other receivables and other assets		<b>759</b>	278
Government grants	4	<b>(44,871)</b>	(20,770)
Marketing and promotion expenses		<b>672,309</b>	329,476
Bank interest income	4	<b>(13,159)</b>	(9,408)
Foreign exchange losses/(gains), net	5	<b>14,446</b>	(21,606)
Reversal for impairment of inventories		<b>(145)</b>	(130)
Employee benefit expenses (including directors' and chief executive's remuneration)			
– Wages, salaries and allowances		<b>75,777</b>	43,945
– Pension scheme contributions, social welfare and other welfare		<b>18,264</b>	11,151
– Equity-settled share award expense		<b>17,663</b>	16,487
Other outsourcing labor costs		<b>7,725</b>	2,359
Auditor's remuneration		<b>1,874</b>	–
Listing expenses		<b>37,111</b>	6,647

*Note:* Equity-settled share award expense was included in cost of sales, research and development costs, selling and distribution expenses and administrative expenses in the amounts as follows:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
Administrative expenses	<b>13,982</b>	13,123
Research and development costs	<b>2,136</b>	1,940
Selling and distribution expenses	<b>843</b>	765
Cost of sales	<b>702</b>	659
	<b>17,663</b>	16,487

## 7. INCOME TAX

Taxes on profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The Company incorporated in the Cayman Islands are not subject to income or capital gains tax under the law of Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

Hong Kong profits tax has been provided at a rate of 16.5% (2021:16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

Certain subsidiaries were entitled to a preferential company income tax rate of 15% during the year based on the revised version of Guidance Catalogue for Adjustment of Industrial Structure (2011 edition) (《產業結構調整指導目錄(2011年本)》) applicable in 2021 and 2022 issued by the National Development and Reform Commission which was related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

Income tax expense of the Group for the the reporting period is analyzed as follows:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Current tax: Charge for the year	<b>176,369</b>	145,378
Deferred tax	<b>(206)</b>	(593)
Total tax charge for the year	<b><u>176,163</u></b>	<u>144,785</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before tax	<b><u>1,177,749</u></b>	<u>972,917</u>
Tax at the applicable tax rate of 25%	<b>294,437</b>	243,229
Effect of preferential tax rates of some subsidiaries	<b>(114,999)</b>	(99,598)
Expenses not deductible for tax	<b>2,790</b>	4,098
Tax losses not recognized	<b>471</b>	503
Additional deductible allowance for research and development expenses	<b>(6,536)</b>	(3,447)
Tax charge at the Group's effective rate	<b><u>176,163</u></b>	<u>144,785</u>

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent for the year ended and the weighted average number of ordinary shares of 703,129,563 (2021: 974,794,521) which assumed to be in issue after taking into account the retrospective adjustment of the share subdivision.

The calculation of the diluted earnings per share amounts in 2021 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the earning attributable to preferred shareholders of the parent and earning attributable to non-controlling interests upon exercise of shares under the Share option scheme. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during 2021, 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 options under the Modified Plan, as well as on the conversion of Series A preferred shares.

The calculation of the diluted earnings per share amounts in 2022 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the earning attributable to preferred shareholders 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 options under the Modified Plan, as well as on the conversion of Series A preferred shares.

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

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Earnings</b>		
Profit attributable to ordinary shares holders of the parent, used in the basic earnings per share calculation	<b>695,998</b>	808,809
Earning attributable to preferred shares holders of the parent	<b>306,027</b>	19,323
Earning attributable to non-controlling interests upon exercise of shares under the Original Plan	–	(706)
	<b><u>1,002,025</u></b>	<b><u>827,426</u></b>
	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>703,129,563</b>	974,794,521
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>7,344,692</b>	127,469
Convertible preferred shares	<b>310,740,362</b>	26,007,960
	<b><u>1,021,214,617</u></b>	<b><u>1,000,929,950</u></b>

## 9. INVENTORIES

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	71,989	45,308
Finished goods	111,906	44,086
	<u>183,895</u>	<u>89,394</u>

## 10. TRADE AND BILLS RECEIVABLES

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	56,247	66,383
Bills receivable	13,772	–
Impairment	(599)	(744)
	<u>69,420</u>	<u>65,639</u>

The Group's trading terms with its customers are mainly payment in advance, except for certain major customers, where is normally on credit. The credit period is generally due within 7 days but not later than the end of the month for Xi'an Chuangkecun or 7 to 180 days for the remaining on credit customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's bills receivable were commercial acceptance bills aged within three months. Bills receivable is subject to impairment under the general approach and it is considered to be minimal.

An ageing analysis of the trade receivables as at the end of each of the reporting period, based on the transaction dates and net of loss allowance, is as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	67,879	64,525
Over one year and within two years	1,146	572
Over two years and within three years	268	272
Over three years	127	270
	<u>69,420</u>	<u>65,639</u>

## 11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current:		
Prepayment of property, plant and equipment	<u>40,895</u>	<u>70,240</u>
Current:		
Prepayments	63,245	15,835
Deposits and other receivables	21,312	4,879
Value-added tax recoverable	4,600	6,697
Deferred listing expenses	<u>–</u>	<u>1,173</u>
Impairment allowance	<u>(1,661)</u>	<u>(902)</u>
	<u>87,496</u>	<u>27,682</u>

The balances are interest-free and are not secured with collateral.

## 12. FINANCIAL ASSETS AT FVTPL

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Financial products	<u>865,973</u>	<u>155,607</u>

The Group entered contracts in respect of financial products from other financial institutions with a return rate based on actual performance in the regulatory published net value report during the year.

## 13. CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents	<u>1,330,951</u>	<u>7,103,000</u>
Denominated in		
RMB	771,681	71,134
HKD	552,526	–
USD	<u>6,744</u>	<u>7,031,866</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

#### 14. TRADE PAYABLES

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Within one year	53,072	22,710
Over one year and within two years	807	367
Over two years	774	535
	<u>54,653</u>	<u>23,612</u>

Trade payables are non-interest-bearing and are normally settled on the terms of 60 days.

#### 15. OTHER PAYABLES AND ACCRUALS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Contractual obligation for redemption of ordinary shares	–	6,276,587
Deposits and other payables	48,734	48,950
Payroll payable	23,035	20,697
Other tax payable	5,460	8,236
Accrued listing expenses	18,228	5,733
Payables for purchase of property, plant and equipment	40,942	2,634
	<u>136,399</u>	<u>6,362,837</u>

Other payables are non-interest-bearing and repayable on demands.

*Note:*

Pursuant to the share redemption agreement entered into on 14 October 2021, the Company was obliged to redeem 317,995,065 ordinary shares from Juzi Holding Co., Ltd, an immediate holding company of the Company, at a price of RMB20 per share which was to be settled in USD at an exchange rate of USD1.00 to RMB6.3936, amounting to USD994,729,000 in total.

As at 31 December 2021, RMB6,276,587,000 of the contractual obligation was recorded in other payables and accruals. It represents the contractual obligation of RMB6,342,095,000 of the Company to redeem its own ordinary shares in cash, and net of RMB65,508,000 due from the Co-founders in relation to their capital injection obligation into the Company. This redemption was completed subsequently in February 2022. As at 31 December 2022, RMB6,276,587,000 of the contractual obligation was settled.

## 16. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Advances received from customers		
Sales of products		
Current	<b>12,449</b>	16,278

## 17. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Buildings	<b>262,198</b>	4,075
Plant and machinery	<b>73,365</b>	32,885
	<b>335,563</b>	36,960

In addition, the Group had the following commitments provided to associate, which are not included in the above:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Capital contribution to an associate	<b>16,000</b>	16,000
	<b>16,000</b>	16,000

## I. BUSINESS REVIEW

We are a leader in the bioactive ingredient-based professional skin treatment product industry in China. We design, develop and manufacture professional skin treatment products with recombinant collagen and rare ginsenosides as the key bioactive ingredient, and develop and manufacture rare ginsenosides technology-based functional foods. We utilize proprietary synthetic biology technology to research and develop, and manufacture multiple types of recombinant collagen and rare ginsenosides in-house. In 2022, our sales revenue amounted to RMB2,364.4 million, representing a year-on-year increase of 52.3% compared to 2021, and our profit for the year amounted to RMB1,001.6 million, representing a year-on-year increase of 21.0% compared to 2021.

### **Continuing to Build the Synthetic Biology Platform and Enhance Our Research and Development Capabilities**

Our strong scientific research capabilities and continuous investment in research and development lay the foundation for our steady growth and leading position in the industry. In 2022, we increased our basic research investment and strengthened our comprehensive technological capabilities in the field of synthetic biology, developed and stockpiled new types of recombinant collagen, rare ginsenosides and other bioactive ingredients for application in the fields of functional skincare products, medical dressings, skin rejuvenation products and functional foods. The research and development expenditure of the Company amounted to RMB44.0 million for 2022, representing a year-on-year increase of 76.5%; research and development expenditure accounted for 1.9% of our revenue, representing a year-on-year increase of 0.3%.

As of the end of 2022, the Company had 80 issued patents and patent applications, of which 27 were added in 2022; the Company had 127 product candidates, and the research and development projects were in sound progress. As of the end of 2022, based on our strong research and development capabilities, the Company had diversified a product portfolio of 121 SKUs.

As a leading player in synthetic biology, we had undertaken major scientific research projects at the national level, including four National Key Research and Development Programmes, two National High Technology Research and Development Programmes (“863” Programmes) and the National High Technology Industry Development Programme, among which, the project “Key Technologies and Applications of Green Biomanufacturing of Medical Proteins” under the “Green Biomanufacturing” project participated by the Company in 2022 was approved as a project under the National Key Research and Development Programmes.

We actively promoted the construction of industrial standards. In August 2022, YY/T 1849-2022, Recombinant Collagen, Pharmaceutical Industry Standards of the People’s Republic of China (YY/T 1849-2022 中華人民共和國醫藥行業標準《重組膠原蛋白》) was published, which is the first industry standard in the field of recombinant collagen. The standard provides guidelines for the application of various types of recombinant collagen in medicine and medical devices and is one of the highest level and most comprehensive industry standards. The Company is one of the drafting members of the industry standard.

## Continuing to Expand the Diversified Brand and Product Portfolio

Based on bioactive ingredients such as recombinant collagen and rare ginsenosides and the core of technology-based beauty, we developed our products with “Sincerity, Goodwill, Excellence and Innovation” to forge strong product offering and expanded our product portfolios in terms of both efficacy and types to quickly respond to the ever-changing industry trend and meet the diversified market demands. Currently, our types of products included functional skincare products, medical dressings and functional foods. As of December 31, 2022, we had 8 major brands with 121 SKUs. Our 8 major brands are as follows:



Among them, Comfy (可復美) and Collgene (可麗金) are our core flagship brands. The existing products of two brands continuously maintained high market acceptance during the Reporting Period, while we continue to launch new products to provide customers with more diversified product choices.

The product portfolio of Comfy has continued to expand, ranging from medical devices to functional skincare products, in order to provide scientific and effective repair solutions to more people with skin problems. Comfy successively launched multiple new products, such as Human-like Recombinant Collagen Restoration Single-Use Essence (Human-like重組膠原蛋白肌禦修護次拋精華, “**Collagen Stick**” (膠原棒)), Recombinant Collagen Repair Essence Emulsion (重組膠原蛋白肌禦賦活修護精粹乳, “**Collagen Emulsion**” (膠原乳)) and Recombinant Collagen Renewing Soothing Essence Mask (重組膠原蛋白賦活舒緩精華面膜). Comfy Collagen Emulsion helps to build skin protection system from the surface to the inside by utilizing the proprietary “double bionic” (雙仿生) barrier repair system. The C5HR recombinant collagen bionic combination deeply repairs the skin layer by layer, combined with the Company’s self-developed raw material to simulate the skin’s own barrier to strengthen the skin. Comfy Collagen Stick is the first highly concentrated single-use essence that contains 4 types of recombinant collagen as its core ingredients in China, which facilitates efficient penetration in the hypodermis and skin restoration from deep down. The product received multiple accolades, such as Top 10 of the “Beauty Evolution Awards 2022 – Essence List of the Year” (2022美麗修行年榜) and the “Annual Ace Repair Essence of 2022 Rayli Pioneer Trends” (2022瑞麗潮流大番榜). In 2022, total revenue achieved by Comfy amounted to RMB1,613.0 million, representing an increase of 79.7% compared to the same period in 2021.

Collgene focused on its skin rejuvenation positioning, and continues to enrich its series of products mainly targeting on firming and anti-wrinkle solutions. In 2022, for the first time, we applied our proprietary recombinant collagen C5HA bionic combination technology (重組膠原蛋白C5HA仿生組合技術) as the core technology component in the products under the Collgene LIFTACTIV Tightening Collection (賦能緊致系列). The Mini recombinant collagen peptide applied has a molecular weight of 217Da, which is the smallest molecular weight known in the field of collagen and it can penetrate directly to the hypodermis and promotes the regeneration of collagen, so as to attain a full chain of anti-ageing effects of “wrinkle reduction, core growth and protection”, providing the consumers with a gentle and effective new generation of anti-aging solution. In 2022, we launched three new products in LIFEACTIV Tightening Collection (賦能緊致系列), namely Human-like Recombinant Collagen LIFTACTIV Wrinkless and Firming Cream (Human-like重組膠原蛋白賦能珍萃緊致抗皺面霜), Human-like Recombinant Collagen LIFTACTIV Compact and Elastic Single-Use Essence (Human-like重組膠原蛋白賦能珍萃緊致彈潤次拋精華) and Human-like Recombinant Collagen LIFTACTIV Wrinkless and Firming Essence (Human-like重組膠原蛋白賦能珍萃緊致抗皺精華). The products in the LIFTACTIV Tightening Collection have been well received by the market since their launch. Collgene Human-like Collagen LIFTACTIV Tightening Mask (Human-like膠原蛋白賦能珍萃緊致駐顏面膜) was awarded “Excellent Industrial Product in Shaanxi” (陝西省工業精品) in the third batch of the list and honored with “C2CC New Cosmetics Award – Annual Popular Skincare Top 10” (C2CC新妝大賞「年度人氣護膚TOP10」). In 2022, total revenue achieved by Collgene amounted to RMB618.4 million, representing an increase of 17.6% compared to the same period in 2021.

## **Continuing to Increase Academic Influence and Build Technology-based Beauty Brand Value**

We resorted to science promotion to reinforce the technology-based beauty value proposition of our brand. We continued to enhance our brand recognition and academic influence through participation in the formulation of industry standards, publication of expert consensus and academic exchanges. In September 2022, the first expert consensus in the recombinant collagen industry, “The Application of Recombinant Collagen in Skin Diseases and Skin Care (《重組膠原蛋白在皮膚病與皮膚護理中的應用》)”, jointly compiled by the Company and other dermatology experts, was officially released. This monograph has led the scientific and standardized development of the industry, providing professional reference for dermatologists in clinical treatment and scientific guidance of skin treatment for consumers.

At the same time, we also placed emphasis on science popularization to the mass market. In 2022, we published a series of articles named “Collagen Files” on social media platforms and content creation platforms, and conducted science promotion for collagen. In the future, we will continue to publish articles to answer consumers’ questions about collagen, especially to all aspects of recombinant collagen, to help consumers pursue beauty and health in a rational and scientific manner. In March 2022, we launched a series of online scientific communication activities under the theme of “skin issues identification (肌膚問題鑒定)”, and invited authoritative skincare specialists to interact with the consumers in live streaming sessions to discuss their skin issues and the solutions provided by our products, attracting over 260,000 viewers and quickly became one of the hot topics on Weibo. In October 2022, Collgene jointly launched a documentary “This is Chinese Technology” (《這就是中國科技》) with platforms such as CCTV, Tmall and Weibo, to demonstrate the technological strength of domestic skincare brands to enable that the efficacy of Chinese technology-based ingredients will be recognized by a wider range of consumers.

## **Continuing to Expand and Improve Sales Channels and Marketing Network**

By implementing dual-pronged “medical institution + mass consumption” sales strategy, we have built an omni-channel sales and distribution network to reach users effectively.

We have established sales network targeting medical institutions, and sales to medical institutions have become the cornerstone of our brand assets. As at the end of 2022, our products were sold through offline direct sales and distributors to over 1,300 public hospitals, approximately 2,000 private hospitals and clinics, and approximately 500 pharmacy chain brands in China.

We have also built a nationwide mass market sales network through direct sales and distributors. Our direct sales primarily include sales through DTC stores on e-commerce and social media platforms including Tmall, JD.com, Douyin, Xiaohongshu, and Pinduoduo, as well as sales to e-commerce platforms such as JD.com and VIPshop, which resell our products to customers through their online retail platforms. Our mass market sales network covered approximately 3,500 CS/KA stores as at the end of the Reporting Period. In 2022, our direct sales channel generated revenue of RMB1,401.8 million, accounting for 59.3% of our total revenue, while our distributor channel generated revenue of RMB962.6 million, accounting for 40.7% of our total revenue.

### **Increase Production Capacity and Sustainable Development of Production**

Our raw materials of recombinant collagen, rare ginsenosides as well as relevant end-products are mainly manufactured in-house. We can supply a large scale of core materials in-house and have our own end-to-end supply chain capability from raw materials to products and organisational coordination capability, which enable us to guarantee production and stable product supply, so as to meet the demand of consumers, despite the pandemic resurgence in 2022.

All of our manufacturing facilities strictly follow the GMP standards for medical device and national cosmetic product manufacturing requirements, and have all been certified with ISO13485, ISO22716 and US FDACFSAN quality management certifications, which ensures that our products are produced at the highest quality and safety standards. In 2022, we continued to expand our production capacity, and our expansion of production was in progress as planned, with one new recombinant collagen production line added, and the existing rare ginsenoside production line upgraded.

We are committed to the sustainable development of the production process. Our raw materials are produced by synthetic biology technology which is more environmental friendly, with less resources consumption and carbon emissions. Furthermore, we emphasize the concept of green environmental protection in product packaging. In 2022, we implemented environmental protection measures such as reducing the inner trays of products and wrapping films and recycling cartons.

### **Continuing to Contribute to the Community and Taking an Active Role in Corporate Social Responsibility**

In March 2022, we donated functional skincare products and medical dressings products worth RMB5.7 million to the Shaanxi Province Charity Alliance (陝西省慈善聯合會), to help the volunteers and hospital staff to solve skin problems caused by wearing masks and protective clothing for a long time.

We actively participated in National Skincare Day, an annual charity event organised by the Dermatologists Branch of Chinese Medical Doctor Association (中國醫師協會皮膚科醫師分會), with the aim of enhancing scientific awareness of skin problems, raising awareness of scientific skincare and establishing the concept of rational skincare through popularisation of science. In 2022, in order to promote the concept of scientific skincare and deliver positive-energy to the society, we participated in the National Healthcare Workers Popularisation of Science Short Films Contest, a themed event organised by the Dermatologists Branch of Chinese Medical Doctor Association (中國醫師協會皮膚科醫師分會). We provided medical dressings as the prize for this event to support healthcare workers. At the same time, we also donated over RMB0.6 million functional skincare products and medical dressings as a treatment option for the charity clinic activity jointly organised by more than 100 hospitals during the National Skincare Day on May 25, 2022.

## **II. BUSINESS OUTLOOK**

Facing the market opportunities and challenges in 2023, we will continue to move forward and strive to achieve breakthrough in terms of basic research and development, product innovation, channels expansion and marketing to maintain our leading position in the industry and actively promote the development in synthetic biology:

- (1) Increase investments in research and development, conduct basic research and continue to develop new types of recombinant collagen and other bioactive ingredients based on synthetic biology platform, maintain our technological leadership and lead the innovation and development of the industry;
- (2) Enrich technology-based beauty and health product portfolio, continue to launch new products in high standard and iterate existing products with the philosophy of “Sincerity, Goodwill, Excellence and Innovation”, in order to meet the diversified need of the consumers;
- (3) Enhance brand awareness, expand sales channels and refine operation through systematic science promotion activities;
- (4) Continue to expand production capacity, build up a stable, high-quality and intelligent supply chain to enhance production efficiencies;
- (5) Promote the strategy of globalization, develop products based on the preferences of overseas consumers, establish overseas sales network to explore the overseas market; and
- (6) Continue to establish a corporate culture of striving for sustainable business success, transform into an enterprising, learning-oriented and efficient organization to enhance organizational cohesion and execution.

### III. OPERATING RESULTS

#### Revenue

For the year ended December 31, 2022, our total revenue was RMB2,364.4 million, representing an increase of 52.3% from the total revenue of RMB1,552.5 million for the year ended December 31, 2021. Such increase was primarily due to the continued expansion of product types and online and offline channels and enhanced marketing, which further improved our product and brand influence, resulting in faster growth in sales revenue.

#### (i) Revenue by Product Category

We sell products under multiple product categories in the beauty and health sectors in China, namely (i) professional skin treatment products and (ii) functional foods and others. The following table sets forth the breakdown of our revenue by product category (medical dressings classified as medical devices) for the periods indicated:

	For the Year Ended December 31,			
	2022		2021	
	Amount	%	Amount	%
	<i>(RMB in millions except for percentages)</i>			
<b>Professional skin treatment products</b>				
– functional skincare products	1,561.6	66.0	861.1	55.5
– medical dressings	760.1	32.2	642.0	41.3
<b>Functional foods and others</b>	42.7	1.8	49.4	3.2
<b>Total</b>	<b>2,364.4</b>	<b>100.0</b>	<b>1,552.5</b>	<b>100.0</b>

Our overall growth in revenue was primarily driven by the growth of sales and revenue of professional skin treatment products, among which, the revenue from functional skincare products demonstrated a faster growth due to our continued efforts to strengthen marketing activities in our omni-channel sales and distribution network, and the successful launch of new products, resulting in the further enhancement of our brand and product influence. The decrease in revenue from functional foods and others was mainly due to our adjusted sales strategy and products structure to proactively reduce sales of other products with low gross margins.

(ii) *Revenue by Sales Channel*

During the Reporting Period, we sold our products through direct sales and sales to our distributors. We directly sold products to (i) consumers through DTC stores on e-commerce and social media platforms; (ii) e-commerce platforms, and (iii) hospitals, clinics, pharmacy chains, cosmetic store chains and supermarkets chains. We primarily engaged distributors to sell and distribute our products to individual consumers, hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains. The following table sets forth the breakdown of our revenue by sales channel in absolute amounts and as a percentage of our total revenue for the periods indicated:

	For the Year Ended December 31,			
	2022		2021	
	Amount	%	Amount	%
	<i>(RMB in millions except for percentages)</i>			
<b>Direct sales</b>				
– Online direct sales through our DTC stores	1,213.9	51.3	574.1	37.0
– Online direct sales to e-commerce platforms	124.5	5.3	70.1	4.5
– Offline direct sales	63.4	2.7	45.4	2.9
<b>Subtotal</b>	<b>1,401.8</b>	<b>59.3</b>	689.6	44.4
<b>Sales to distributors</b>	<b>962.6</b>	<b>40.7</b>	862.9	55.6
<b>Total</b>	<b>2,364.4</b>	<b>100.0</b>	1,552.5	100.0

**Direct sales**

*Online direct sales through our DTC stores*

During the Reporting Period, revenue from online direct sales through our DTC stores amounted to RMB1,213.9 million, representing an increase of 111.5% as compared to 2021 and accounting for 51.3% of total revenue in 2022. Such increase was due to (1) our continuous strengthening of online multi-platform layout and refined operation, which achieved a stable growth on traditional e-commerce platforms such as Tmall. Meanwhile, we started to focus on promoting our sales on developing Douyin, an emerging e-commerce platform, and revenue from Douyin achieved rapid growth on a low base; (2) successfully expanding more products types, including essence, such as Comfy Human-like Recombinant Collagen Restoration Single-Use Essence, Collgene Human-like Recombinant Collagen LIFTACTIV Compact and Elastic Single-Use Essence and Human-like Recombinant Collagen LIFTACTIV Wrinkless and Firming Essence, contributing to revenue growth; and (3) increased customer traffic by brand marketing and promotion to facilitate the growth of sales and revenue.

### *Online direct sales to e-commerce platforms*

During the Reporting Period, revenue from online direct sales to e-commerce platforms amounted to RMB124.5 million, representing an increase of 77.6% as compared to 2021 and accounting for 5.3% of total revenue in 2022. Such increase was due to our refined operation on e-commerce platforms such as JD.com, coupled with the successful launch of new product types, resulting in growth of sales and revenue.

### *Offline direct sales*

During the Reporting Period, revenue from offline direct sales amounted to RMB63.4 million, representing an increase of 39.7% as compared to 2021 and accounting for 2.7% of total revenue in 2022. Such increase was due to our continued expansion of stores and product coverage of offline direct sales customers, such as pharmacy chains and cosmetic store chains, driving the growth of revenue from this channel.

### **Sales to distributors**

During the Reporting Period, revenue from sales to distributors amounted to RMB962.6 million, representing a stable year-on-year increase of 11.6% as compared to 2021 and accounting for 40.7% of total revenue in 2022.

(iii) *Revenue by Brand*

During the Reporting Period, we generated revenue primarily from the sales of products under Comfy and Collgene. The following table sets forth a breakdown of our revenue by brand for the periods indicated:

	For the Year Ended December 31,			
	2022		2021	
	Amount	%	Amount	%
<i>(RMB in millions except for percentages)</i>				
<b>Professional skin treatment products</b>				
– Comfy	1,613.0	68.2	897.7	57.8
– Collgene	618.4	26.2	525.9	33.9
– Other brands	90.3	3.8	79.5	5.1
	<u>42.7</u>	<u>1.8</u>	<u>49.4</u>	<u>3.2</u>
<b>Functional foods and others</b>				
	<u>42.7</u>	<u>1.8</u>	<u>49.4</u>	<u>3.2</u>
<b>Total</b>	<u>2,364.4</u>	<u>100.0</u>	<u>1,552.5</u>	<u>100.0</u>

**Professional skin treatment products**

*Comfy*

During the Reporting Period, the sales revenue from Comfy amounted to RMB1,613.0 million, representing an increase of 79.7% as compared to 2021 and accounting for 68.2% of our total revenue in 2022. Such increase was due to (1) our continued expansion of online and offline channels and optimization of marketing strategies, which further enhanced our brand influence, and (2) successful expansion of essence and other product types, such as Comfy Human-like Recombinant Collagen Restoration Single-Use Essence, contributing to revenue growth.

*Collgene*

During the Reporting Period, the sales revenue from Collgene amounted to RMB618.4 million, representing an increase of 17.6% as compared to 2021 and accounting for 26.2% of our total revenue in 2022. Such increase was due to our continued expansion of online channels, which further enhanced our brand recognition.

### *Other Brands*

During the Reporting Period, the sales revenue from other brands amounted to RMB90.3 million, representing an increase of 13.8% as compared to 2021 and accounting for 3.8% of our total revenue in 2022. Such increase was mainly due to the growth in revenue from products of other brands such as Keyu.

### **Functional foods and others**

During the Reporting Period, the sales revenue from functional foods and others amounted to RMB42.7 million, representing a decrease of 13.7% as compared to 2021 and accounting for 1.8% of our total revenue in 2022. Such decrease was mainly due to our adjusted sales strategy and products structure to proactively reduce sales of other products with low gross margins.

### *Cost of sales*

For the year ended December 31, 2022, cost of sales was RMB369.2 million, representing an increase of 86.3% from RMB198.1 million for the year ended December 31, 2021. Such increase was mainly due to the increase in sales of products resulted in (1) an increase in costs of raw materials from RMB143.9 million in 2021 to RMB264.5 million in 2022; (2) a corresponding increase in manufacturing and freight costs; and (3) an increase in direct labor costs due to the increase in production staff to cope with the expansion of production scale.

### *Gross profit and gross profit margin*

For the year ended December 31, 2022, gross profit amounted to RMB1,995.2 million, representing an increase of 47.3% from RMB1,354.3 million for the year ended December 31, 2021, mainly due to the increase in sales revenue.

Gross profit margin decreased from 87.2% for the year ended December 31, 2021 to 84.4% for the year ended December 31, 2022, mainly due to the expansion of product types and new channels.

### *Selling and distribution expenses*

For the year ended December 31, 2022, selling and distribution expenses amounted to RMB706.4 million, representing an increase of 104.0% from RMB346.2 million for the year ended December 31, 2021. Such increase was mainly due to the increase in online marketing expenses in relation to the rapid expansion of online direct sales channel.

### *Research and development costs*

For the year ended December 31, 2022, research and development costs amounted to RMB44.0 million, representing an increase of 76.5% from RMB25.0 million for the year ended December 31, 2021, and accounted for 1.9% and 1.6% of our revenue in 2022 and 2021, respectively. Such increase was primarily due to the increase in research and development investment in basic research and pipeline products and the increase in employee compensation expenses resulting from the increase in the number of research and development personnel.

### *Other income*

For the year ended December 31, 2022, other income amounted to RMB68.7 million, representing an increase of 107.2% from RMB33.2 million for the year ended December 31, 2021. Such increase was mainly attributable to the increase in government grants and interest income.

### *Other gains or losses, net*

For the year ended December 31, 2022, other net losses amounted to RMB23.4 million, while other net gains for the year ended December 31, 2021 amounted to RMB32.1 million. Such loss was mainly attributable to foreign exchange losses and fair value losses on financial assets at FVTPL.

### *Administrative expenses*

For the year ended December 31, 2022, administrative expenses amounted to RMB111.1 million, representing an increase of 53.7% from RMB72.3 million for the year ended December 31, 2021. Such increase was mainly attributable to relevant expenses for the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2022.

### *Income tax expense*

For the year ended December 31, 2022, income tax expense amounted to RMB176.2 million, representing an increase of 21.7% from RMB144.8 million for the year ended December 31, 2021, mainly due to the increase in our taxable income.

### *Profit for the year*

As a result of the foregoing, for the year ended December 31, 2022, profit for the year amounted to RMB1,001.6 million, representing an increase of 21.0% from RMB828.1 million for the year ended December 31, 2021.

### *Basic and diluted earnings per share*

For the year ended December 31, 2022, the basic earnings per share amounted to RMB0.99, representing an increase of 19.3% from RMB0.83 for the year ended December 31, 2021. For the year ended December 31, 2022, diluted earnings per share amounted to RMB0.98, representing an increase of 18.1% from RMB0.83 for the year ended December 31, 2021. The increase in basic and diluted earnings per share was mainly due to the increase in net profit as a result of the rapid growth of our business as described above.

### *Gearing ratio*

Gearing ratio represents the percentage of interest-bearing borrowings to total equity. As of December 31, 2022, we did not have any outstanding bank loans or other borrowings. As a result, gearing ratio was not applicable as of December 31, 2022.

## **INTEREST EXPENSE OF BANK AND OTHER BORROWINGS**

As of December 31, 2022, the Group had no bank and other borrowings, and no related interest expenses.

## **TREASURY POLICY**

If the Company determines that its cash requirements exceed the amount of cash and cash equivalents it has on hand by then, it may seek to issue equity or debt securities or obtain credit facilities.

## **PLEDGE OF ASSETS**

As of December 31, 2022, the Group did not pledge any assets.

## **MATERIAL INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL**

For the year ended December 31, 2022, the Group had no material investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of December 31, 2022), nor had any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group had no specific plan for material investments and purchase of capital assets as of December 31, 2022.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2022, our liquidity amounted to RMB1,331.0 million, which consisted of cash and cash equivalents, representing a decrease of 81.3% from RMB7,103.0 million for the year ended December 31, 2021.

## **CONTINGENT LIABILITIES**

As of December 31, 2022, the Group had no material contingent liabilities.

## **CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES**

As of December 31, 2022, our capital commitments mainly consisted of plant, machinery and buildings amounting to RMB335.6 million. The Company recorded capital expenditures of RMB152.7 million for the year ended December 31, 2022, which were primarily used for construction of new plants and purchase of production line equipment.

## **RISK MANAGEMENT**

### **Foreign Currency Risk**

The Group has transactional currency exposures. Such exposures arise from currencies other than the units' functional currencies. As the Board considered foreign currency exposure to be insignificant to the Group, it did not adopt financial instruments such as forward exchange rate contract to hedge the risks.

### **Credit Risk**

Receivable balances are monitored on an on-going basis, and the Group's exposure to bad debts risk is not significant. As of the end of the Reporting Period, the Group was subject to concentrations of credit risk at a certain level, as our cash and cash equivalents were deposited in a few number of financial institutions. As of the end the Reporting Period, the cash and cash equivalents were deposited in high quality financial institutions without significant credit risk. There are no significant concentrations of credit risk within the Group in respect of trade and other receivables.

### **Liquidity Risk**

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents which are deemed adequate by the management of the Group to finance our operations and mitigate the effects of fluctuations in cash flows.

## EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of December 31, 2022, the Group had 933 full-time employees, the majority of whom are based in Shaanxi Province, China. The following table sets forth the number of employees of the Group by function as of December 31, 2022:

Function	Number of Employees	% of Total %
Manufacturing	355	38.1
Research and development	132	14.1
Sales and marketing	277	29.7
General and administration	169	18.1
Total	933	100.0

Our success depends on our ability to attract, retain and motivate qualified personnel. We recruit new employees through campus recruiting and experienced recruiting. We also engage third-party recruiters to reach candidates with an education background in biology, chemistry and other relevant subjects and research and development working experiences in medical or cosmetics companies for our research and development team. We evaluate each candidate based on their educational background, expertise, necessary skills, interview performance, relevant experience, and professional ethics. As part of our human resources strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives. We have adopted a comprehensive training protocol, pursuant to which we provide pre-employment training to our new employees and internal transfer employees, and regular continuing technical training to our employees. We also provide necessary training to employees who are responsible for quality control to ensure that they are competent for their work.

In December 2021, the Company adopted a restricted share unit (“RSU”) scheme (“RSU Scheme”) to improve the Group’s employee incentive and remuneration mechanism, attract and retain the senior management team and core talents. The maximum number of underlying shares of all RSUs under the RSU Scheme in aggregate shall not exceed 19,000,000 shares, representing approximately 1.96% of the total issued share capital of the Company as of the date of this results announcement. Prior to the Company’s listing on the Stock Exchange, 83 RSU Scheme participants had been granted RSUs under the RSU Scheme involving a total of 19,000,000 underlying shares.

## **PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES**

The Company's shares were listed on the Stock Exchange on November 4, 2022 (the "**Listing Date**"). Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange since the Listing Date and up to December 31, 2022.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

There were no significant events that would have a material impact on the Group's business operation and financial condition subsequent to the Reporting Period and up to the date of this results announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company recognizes the importance of good corporate governance to improve the Company's management and preserve the general interests of the shareholders of the Company. The corporate governance practice of the Company is based on the principles and code provisions under the Corporate Governance Code ("**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules. As the Company's shares were listed on the Stock Exchange on November 4, 2022, the principles and code provisions under the Corporate Governance Code shall apply to our Company from the Listing Date.

From the Listing Date to the date of this results announcement, the Company has complied with the code provisions under the Corporate Governance Code, except for Code Provision C.2.1 as explained below.

According to Code Provision C.2.1 under the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The roles of chairman and the chief executive officer are currently performed by Mr. Yan Jianya ("**Mr. Yan**") as the two functions have not been separated. In view of Mr. Yan's substantial contribution to our Group since our establishment and his extensive experience, the Company considers that having Mr. Yan acting as both our chairman of the Board and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. The Company considers it appropriate and beneficial to our business development and prospects that Mr. Yan continues to act as both our chairman of the Board and chief executive officer after the Listing, and therefore it is currently not proposed to separate the functions of chairman of the Board and chief executive officer.

## **PROCEEDS FROM THE GLOBAL OFFERING**

On November 4, 2022, the Company's shares were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering (including proceeds from full exercise of the over-allotment option) after deducting underwriting discount and commission are approximately HK\$573.7 million, which will be utilized according to the use of proceeds disclosed in the Prospectus as follows:

- approximately 11% of the net proceeds for the investment in our research and development to enlarge our research and development team through recruitment, expand our research and development facilities and conduct testing and validation studies;
- approximately 28% of the net proceeds for the expansion of manufacturing capacity with respect to our product portfolios and bioactive ingredients;
- approximately 46% of the net proceeds to enhance our omni-channel sales and distribution network, and implement our science- and knowledge-driven marketing activities to enhance our brand recognition;
- approximately 5% of the net proceeds for the enhancement of our operation and information systems, including (i) procurement of software and hardware, (ii) development of an integrated hybrid cloud infrastructure through investments in hardware such as servers and Internet services, and (iii) recruitment of IT specialists, including software developers and IT engineers; and
- approximately 10% of the net proceeds for working capital and general corporate uses.

Since the Listing Date and up to the date of this announcement, there is no change to the intended use of the net proceeds disclosed above, and the Company plans to gradually utilize the net proceeds in accordance with such intended use within the next 5 years based on its actual business conditions.

As of December 31, 2022, the use of net proceeds by the Group is set out below:

Purpose	% of use of proceeds raised	Net proceeds (HK\$ million)	Utilized amount during the year ended December 31, 2022 (HK\$ million)	Unutilized amount as at December 31, 2022 (HK\$ million)
Investment in our research and development to enlarge our research and development team through recruitment, expand our research and development facilities and conduct testing and validation studies	11%	63.1	0.4	62.7
Expansion of manufacturing capacity with respect to our product portfolios and bioactive ingredients	28%	160.6	11.6	149
Enhance our omni-channel sales and distribution network, and implement our science- and knowledge-driven marketing activities to enhance our brand recognition	46%	263.9	2.8	261.1
Enhancement of our operation and information systems	5%	28.7	–	28.7
Working capital and general corporate uses	10%	57.4	1.9	55.5
<b>Total</b>	<b>100%</b>	<b>573.7</b>	<b>16.7</b>	<b>557</b>

## FINAL DIVIDENDS

The Board has resolved not to recommend the distribution of final dividends for the year ended December 31, 2022.

## COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions of the Company. As the shares of the Company were listed on the Stock Exchange on November 4, 2022, the Model Code shall be applied to the Company since the Listing Date.

Having made specific enquiry of all Directors, all Directors confirmed that they have fully complied with all relevant requirements set out in the Model Code during the period from the Listing Date to the date of this results announcement.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto during the Reporting Period as set out in this results announcement have been agreed by the Company's auditors, Ernst & Young (the "**Auditors**"), to the amounts set out in the Group's consolidated financial statements for the Reporting Period.

The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, therefore no assurance opinion has been expressed by the Auditors on this results announcement.

## **AUDIT COMMITTEE**

The Company's Audit Committee, comprising of three independent non-executive Directors, namely Mr. Huang Jin, Mr. Shan Wenhua and Ms. Wong Sze Wing, has reviewed the annual results of the Group for the year ended December 31, 2022.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.xajuzi.com](http://www.xajuzi.com)). The annual report of the Company for the year ended December 31, 2022 will be published on the above websites of the Stock Exchange and the Company, and will be dispatched to shareholders of the Company in due course.

By order of the Board  
**Giant Biogene Holding Co., Ltd**  
**YAN Jianya**  
*Chairman of the Board*

Hong Kong, Monday, March 27, 2023

*As of the date of this announcement, the Board comprises Mr. Yan Jianya, Dr. Fan Daidi, Ms. Ye Juan and Ms. Fang Juan as executive Directors, Mr. Chen Jinhao as a non-executive Director, and Mr. Huang Jin, Mr. Shan Wenhua and Ms. Wong Sze Wing as independent non-executive Directors.*