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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>		<b>Changes</b>
	<b>2023</b>	<b>2022</b>	
	<i>RMB million</i>	<i>RMB million</i>	
Revenue	<b>1,605.7</b>	984.9	63.0%
Gross profit	<b>1,351.0</b>	838.3	61.2%
Profit before tax	<b>775.6</b>	513.1	51.2%
Net profit	<b>666.0</b>	437.2	52.3%
Earnings attributable to the owners of the parent	<b>666.9</b>	437.2	52.5%
Adjusted net profit for the period (non-IFRS measure)	<b>676.4</b>	463.1	46.1%
Basic earnings per share	<b>0.67</b>	0.45	48.9%
Diluted earnings per share	<b>0.66</b>	0.41	60.0%

The board (the “**Board**”) of directors (the “**Directors**”) of Giant Biogene Holding Co., Ltd (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”) with the comparative figures for the corresponding period in 2022. The above interim results have been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) and have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

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

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2023</b>	2022
		<b>RMB’000</b>	<b>RMB’000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>1,605,698</b>	984,891
Cost of sales		<u>(254,702)</u>	<u>(146,637)</u>
<b>Gross profit</b>		<b><u>1,350,996</u></b>	<b><u>838,254</u></b>
Selling and distribution expenses		(555,177)	(263,957)
Administrative expenses		(47,484)	(50,343)
Research and development costs		(34,009)	(18,815)
Other expense		(968)	(1,730)
Other income	4	33,304	18,867
Other gains or losses, net		28,646	(9,330)
Finance cost		(57)	–
Reversal of impairment losses on financial assets, net		<u>332</u>	<u>147</u>
<b>PROFIT BEFORE TAX</b>		<b>775,583</b>	513,093
Income tax expense	6	<u>(109,560)</u>	<u>(75,850)</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>666,023</u></b>	<b><u>437,243</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>666,023</u></b>	<b><u>437,243</u></b>
<b>Attributable to:</b>			
Owners of the parent:		666,940	437,243
Non-controlling interests		<u>(917)</u>	<u>–</u>
		<b><u>666,023</u></b>	<b><u>437,243</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic (RMB yuan)	8	<b>0.67</b>	0.45
Diluted (RMB yuan)	8	<b><u>0.66</u></b>	<b><u>0.41</u></b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>30 June, 2023 RMB'000 (Unaudited)</b>	31 December, 2022 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		558,418	491,421
Other intangible assets		6,016	6,751
Right-of-use assets		48,175	60,233
Prepayments, other receivables and other assets, non-current		130,342	40,895
Deferred tax assets		180	1,190
		<b>743,131</b>	600,490
<b>Total non-current assets</b>			
<b>CURRENT ASSETS</b>			
Inventories		186,491	183,895
Trade and bills receivables	9	91,018	69,420
Prepayments, other receivables and other assets, current		76,319	87,496
Financial assets at fair value through profit or loss		1,223,551	865,973
Cash and cash equivalents		1,557,509	1,330,951
		<b>3,134,888</b>	2,537,735
<b>Total current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	10	73,398	54,653
Other payables and accruals		168,910	136,399
Tax payable		78,557	75,020
Lease liabilities, current		902	881
Deferred income		1,291	1,503
Contract liabilities		13,180	12,449
		<b>336,238</b>	280,905
<b>Total current liabilities</b>			
<b>NET CURRENT ASSETS</b>		<b>2,798,650</b>	2,256,830
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,541,781</b>	2,857,320

	<i>Notes</i>	<b>30 June, 2023</b>	31 December, 2022
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities, non current		1,209	1,705
Deferred income		18,032	18,179
Deferred tax liabilities		5,053	403
		<u>24,294</u>	<u>20,287</u>
<b>Total non-current liabilities</b>		<u>24,294</u>	<u>20,287</u>
<b>Net assets</b>		<u>3,517,487</u>	<u>2,837,033</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Ordinary share capital		63	63
Preferred share capital		–	–
Treasury shares		(1)	(1)
Reserves		3,510,781	2,833,410
		<u>6,644</u>	<u>3,561</u>
<b>Non-controlling interests</b>		<u>6,644</u>	<u>3,561</u>
<b>Total equity</b>		<u>3,517,487</u>	<u>2,837,033</u>

## NOTES TO FINANCIAL INFORMATION

### 1. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	Insurance Contracts
Amendments to IFRS 17	Insurance Contracts
Amendments to IFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

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

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any financial impact on the financial position or performance of the Group.
- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organization for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

### 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 period, 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.

### 4. REVENUE AND OTHER INCOME

#### Revenue

An analysis of revenue is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue from contracts with customers	<b>1,605,698</b>	984,891

*Disaggregated revenue information for revenue from contracts with customers*

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Type of goods or services</b>		
Sale of goods	<u>1,605,698</u>	<u>984,891</u>
<b>Geographical market</b>		
Mainland China	<u>1,605,698</u>	<u>984,891</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<u>1,605,698</u>	<u>984,891</u>

**Other income**

An analysis of other income is as follows:

*The Group*

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Other income</b>		
Government grants	7,747	1,522
Interest income	23,758	6,663
Others	<u>1,799</u>	<u>10,682</u>
	<u>33,304</u>	<u>18,867</u>

## 5. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>For the six months ended 30 June</b>	
		<b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>2022</b> <i>RMB'000</i> <b>(Unaudited)</b>
Cost of inventories, consumables and customized products		<b>199,527</b>	106,435
Depreciation of property, plant and equipment		<b>15,154</b>	11,826
Depreciation of right-of-use assets		<b>980</b>	934
Depreciation of investment properties		<b>–</b>	478
Amortization of intangible assets		<b>735</b>	703
Reversal of impairment of trade and bills receivables		<b>(337)</b>	(317)
Provision for impairment of prepayments, other receivables and other assets		<b>5</b>	170
Government grants	4	<b>(7,747)</b>	(1,522)
Marketing and promotion expenses		<b>521,705</b>	248,628
Bank interest income	4	<b>(23,758)</b>	(6,663)
Foreign exchange (gains)/losses, net		<b>(15,042)</b>	1,870
Provision for/(reversal of) impairment of inventories		<b>648</b>	(401)
Employee benefit expenses (including directors' and chief executive's remuneration):			
– Wages, salaries and allowances		<b>51,819</b>	33,036
– Pension scheme contributions, social welfare and other welfare		<b>11,577</b>	9,219
– Equity-settled share award expense		<b>10,431</b>	8,248
Other outsourcing labor costs		<b>1,258</b>	2,330
Listing expenses		<b>–</b>	17,686

*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>For the six months ended 30 June</b>	
	<b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>2022</b> <i>RMB'000</i> <b>(Unaudited)</b>
Administrative expenses	<b>8,240</b>	6,554
Research and development costs	<b>1,290</b>	977
Selling and distribution expenses	<b>509</b>	385
Cost of sales	<b>392</b>	332
	<b>10,431</b>	8,248

## 6. 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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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 period 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)(修正)》) applicable in 2020 and 2021 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 reporting period is analyzed as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax:	103,900	76,049
Deferred tax	5,660	(199)
Total tax charge for the period	<u>109,560</u>	<u>75,850</u>

## 7. DIVIDENDS

No dividend has been paid or declared by the Company during the period (six months ended June 2022: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 995,000,000 (2022: 685,335,118) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amounts for the period ended 30 June 2023 is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of restricted share units (“RSU”) Scheme under the Modified Plan.

The calculation of the diluted earnings per share amounts for the period ended 30 June 2022 is based on the profit for the period 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 period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of RSU Scheme 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>2023</b> <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary shares holders of the parent, used in the basic earnings per share calculation	<b>666,940</b>	311,042
Earnings attributable to preferred shares holders of the parent	–	126,201
	<b>666,940</b>	437,243
	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>995,000,000</b>	685,335,118
Effect of dilution – weighted average number of ordinary shares: RSU Scheme	<b>10,692,319</b>	3,692,722
Convertible preferred shares	–	366,391,512
	<b>1,005,692,319</b>	1,055,419,352

## 9. TRADE AND BILLS RECEIVABLES

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

	<b>30 June</b> <b>2023</b> <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Within one year	<b>90,571</b>	67,879
Over one year and within two years	<b>102</b>	1,146
Over two years and within three years	<b>271</b>	268
Over three years	<b>74</b>	127
	<b>91,018</b>	69,420

## 10. 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:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within one year	70,847	53,072
Over one year and within two years	1,725	807
Over two years	826	774
	<u>73,398</u>	<u>54,653</u>

## 11. COMMITMENTS

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	369,931	262,198
Plant and machinery	145,892	73,365
	<u>515,823</u>	<u>335,563</u>

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Capital contribution to an associate	16,000	16,000
	<u>16,000</u>	<u>16,000</u>

## I. BUSINESS REVIEW

We are a leader in the bioactive ingredient-based professional skin treatment industry in China. In the first half of 2023, we continued to adhere to our long-term strategy, with continuous investment in research and development in order to consolidate our technological advantages. We created key single products with brilliant sales results and remarkable market recognition through refined operations, and continued to improve our new products and iterate the existing ones with high standards. We strengthened our brand promotion efforts for all the products so as to expand our customer base and enhance brand influence. We also steadily pushed forward with our capacity expansion in order to consolidate our competency in the end-to-end manufacturing platform.

During the Reporting Period, our sales revenue amounted to RMB1,606 million, representing an increase of 63.0% as compared to that for the same period in 2022. Our profit for the period amounted to RMB666.0 million, representing an increase of 52.3% compared to that for the same period in 2022.

### **Continuing to Invest in Research and Development to Lead the Industry in Technology**

One of our long-term development strategies is to dedicate our efforts on the field of synthetic biology in order to continuously improve our scientific research capabilities. During the Reporting Period, the Company increased its investment in research and development, and our research and development team was proactive in making breakthroughs in such fields as basic scientific research, new material development, process and formulation optimization, and product development and application, further enhancing the Company's comprehensive technological capabilities. During the Reporting Period, the Company's research and development expenditure was RMB34.0 million, representing a year-on-year increase of 80.8%. Research and development expenditure accounted for 2.1% of our revenue, representing a year-on-year increase of 0.2 percentage point.

As of the end of the Reporting Period, the Company had 86 issued patents and patent applications, of which 6 were added during the Reporting Period. Our recombinant collagen molecule library contained over 30 kinds of collagen molecule, allowing us to enjoy leadership in the industry, and the number of molecule was increasing. The functions and features of fragments in natural collagen with different lengths demonstrate unpredictable characteristics after multiple repetition. The Company has accumulated vast experience in research and development, and its comprehensive patents enable the Company to conduct structural adjustment to and optimization of collagen molecule so as to prepare and screen the new type of collagen with high performance. For example, in June 2023, the Company was granted the patent "Transdermal Absorptive Peptide and Recombinant Collagen through repetitive construction of the Peptide". The recombinant collagen under this patent has excellent transdermal absorption. It can be used as raw material for producing several collagen products such as injection, facial filler, cosmetics, functional food, tissue engineering material and collagen sponge.

On 28 April 2023, the group standard “Recombinant Collagen for Cosmetics” (《化妝品用重組膠原蛋白原料》) (standard number: T/ZGKSL004-2023) formulated under the lead of the Company was formally implemented. This is the first group standard for recombinant collagen protein raw materials in the cosmetics industry in China, and is also a milestone for the Company to establish a “standard” for recombinant collagen raw material in the cosmetics field, following the implementation of the pharmaceutical industry standard “Recombinant Collagen” that the Company participated in its drafting, representing the Company’s position in leading the recombinant collagen industry to evolve from technological breakthroughs to industrial transformation, making a great stride into the era of standardization.

During the Reporting Period, we launched various self-developed materials or material combinations for our new products. Our rare ginsenoside CK monomer utilizes targeted biotransformation technology, by acting in sebaceous glands to efficiently regulate the expression of anti-inflammatory gene. It has the evident efficacy of oil control, anti-inflammatory and acne treatment.

With regard to the basic research for application, we pro-actively study such innovative material combinations for soothing effect, such as “Juganyuan” (巨昔源) material combinations, which obtains the material combinations with scientific formula by using targeted protein reverse screening technology and repairs key skin protein, such as collagen and elastine, to achieve the external use efficacy of mitigating skin redness, soothing and repair.

### **Refining Key Single Products, and Improving and Iterating New Products with High Standards**

Products are the foundation of consumer brand awareness and the bridge through which we convey our brand idea to consumers. With our solid technical strength and profound consumer insights, we have launched a series of core products with outstanding product quality. Through refined operations, we have achieved strong growth in product sales and gained recognition from the market and consumers. Meanwhile, we continued to adhere to the development philosophy of “Sincerity, Goodwill, Excellence and Innovation” during the Reporting Period. We insisted on fostering the competitiveness of our products with high standards and strict requirements, and launching our new products or iterating our existing products to provide consumers with a rich and high-quality product portfolio.

Comfy implements a product development strategy of “synergy of cosmetics and medical device”, covering consumers’ needs in all scenarios, from intensive treatment period to daily treatment period so as to provide them with corresponding skin treatment solutions. Comfy Recombinant Collagen Dressing (“**Collagen Dressing**”) under Comfy is the first product obtaining the medical device registration certificate for recombinant collagen medical devices in China. Since its launch in 2011, it has solved skin problems of nearly 10 million consumers. In 618 shopping festival (“**618 shopping festival**”) of 2023, it once again ranked TOP1 in Tmall’s Wound Dressing Category and ranked TOP1 in JD.com’s Medical Beauty Care Category.

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)) under Collagen Repair Series of Comfy is the first highly concentrated essence that contains four types of recombinant collagen as its core ingredients in China. It has the effects of “strong repair, enhanced skin protection and deep moisturization”. Since its launch at the end of 2021, it has gained massive popularity among consumers. During the Reporting Period, the Company focused on promoting the Collagen Stick through various channels, platforms, and scenarios to reach a wider range of consumer groups. We also promoted the effectiveness of recombinant collagen ingredient through communication with scientific proof, highlighting the outstanding product quality of the Collagen Stick and driving product sales. It also allows more consumers to understand, use, and recognize Comfy’s increasingly abundant efficacious skincare products. During the Reporting Period, Comfy’s Collagen Stick was honored as the “2022 Transparent Label Annual Popular Repair Product” (2022透明標籤年度人氣修護產品). Over 35 million units were sold during the 618 shopping festival, with a year-on-year increase of over 700% in GMV. It ranked TOP1 on Douyin’s Annual Essence Bestseller List (年度精華金榜), TOP1 in JD.com’s home care category, and TOP3 on Tmall’s Hot Product List (爆款單品榜). Furthermore, we continue to extent the product portfolio of collagen repair series. During the Reporting period, we launched repair and soothing products for consumers with damaged skin barrier such as 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, “**Collagen Soothing Mask**” (膠原舒舒貼)). Collagen Emulsion and Collagen Soothing Mask had been repeatedly ranked TOP1 in the Tmall New Product List since its launch and have been well received by the market for their remarkable product quality.

During the Reporting Period, Comfy upgraded Comfy Acne Clearing and Cleansing Series (“**OK series**”), which mainly addresses skin problem such as inflammatory acne and skin microbiome imbalance. The series specially contains rare ginsenoside CK monomer which is produced with the Company’s proprietary technology, and has the effect of controlling the production and secretion of sebum, and achieves 8 hours of long-lasting oil control and 28 days of balanced and soothing relief. OK series enriches the product offering of Comfy for skin problem solution and has expanded its applicability to a wider range of consumers and scenarios, bringing more opportunities for the brand’s future growth.

During the Reporting Period, revenue achieved by Comfy amounted to RMB1,230 million, representing an increase of 101.0% as compared to that for the same period in 2022.

Collgene focuses on anti-aging effects and strives to establish itself as the “Recombinant Collagen Anti-Aging Expert” among consumers. In 2022, the Company launched a series of products under the Collgene LIFTACTIV Tightening Collection (賦能緊致系列), which applied Mini recombinant collagen peptide with a molecular weight as low as 217Da to directly promote collagen regeneration in the dermis. During the Reporting Period, the Company mainly promoted the Collgene LIFTACTIV Tightening Collection, and the revenue contribution of this series within the Collgene further increased. Our core product, Collgene 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, “Pengpeng Single-Use” (嘭嘭次拋)) won the Golden Product Award 2022 Most Promising Award (金物獎2022最具潛力獎). According to the data from a third party credible consumer review organization, among 100 trial users, 100% of users recognized the product’s excellent firming and plumping effect, its mildness, and soft skin feel, and 99% of users recognized the product’s improvement in skin wrinkles, demonstrating the quality of Collgene’s products. During the 618 shopping festival of 2023, omni-channel online sales of Pengpeng Single-Use exceeded 1.7 million units, ranking TOP8 in JD.com’s Facial Essence Bestseller List (修護面部精華榜) and TOP10 in Tmall’s Firming Liquid Essence Hot-selling List (緊致液態精華熱賣榜). In addition, during the Reporting Period, the Company launched the 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) (Refreshing version) and Collgene Human-like Collagen LIFTACTIV Tightening Mask (Human-like膠原蛋白賦能珍萃緊致駐顏面膜) (Refreshing version) to targeted consumer groups, consolidating the existing product portfolio and continuously improving consumer experience.

During the Reporting Period, revenue achieved by Collgene amounted to RMB320 million, representing an increase of 6.4% as compared to that for the same period in 2022.

### **Insisting on Communication with Scientific Proof and Intensifying Universal Marketing Efforts to Increase Brand Exposure**

We insist on communicating with scientific proof to convey our technological advancement and professionalism embedded in our brands to the market and consumers, and sincerely engage in dialogue with consumers, so as to shape a professional and rational brand image. During the Reporting Period, we organized the first Info Session of Recombinant Collagen, Pharmaceutical Industry Standards of China (中國醫藥行業標準《重組膠原蛋白》) in North and Central China region, in which numerous industry experts and scholars attended to discuss the development prospects of the recombinant collagen industry. In April 2023, the Company together with its brands also participated in the 18th Chinese Medical Association Aesthetic Medicine Conference (中華醫學會第十八次醫學美容學術大會) and the 10th National Minimally Invasive Aesthetic Medicine Conference (第十屆全國微創醫學美容大會), showcasing the Company’s leading technical strength in the industry and the professional image of its brands.

We also put more weight on the promotion of our brands in mass media, so as to reach more consumers and increase brand awareness through universal multi-channel and multi-form marketing activities and brand exposure. In February 2023, our brands, Comfy and Collgene, joined hands with CCTV, Tmall, Sina Weibo and VOGUE to create the “New Force of Chinese Products” (國貨新勢力) promotional video, showcasing the technological strength of the domestic brands in China. In April and May 2023, in order to continuously increase our brand exposure, our brand portfolio was introduced in the 3rd China International Consumer Products Expo, and Collgene was introduced in the 14th Mevos International Congress of Aesthetic Surgery and Medicine. Starting from June 2023, offline advertisements of Comfy and Collgene were placed at the international airport hubs of Xi’an and Chengdu. This expanded form of marketing activity has reached over a million audience.

We pro-actively explore content communication in line with the Company’s brand position. In May 2023, our brand Comfy released a feature film “Ingredient China – The Battle of Ingredients”, which demonstrated the Company’s profound technological accumulation, exploration and adherence to self-developed raw materials, and determination and confidence in creating Chinese ingredients and domestic skincare brands. The documentary had a total exposure of over 500 million viewers on all platforms, dominating 6 trending topics on Weibo, receiving enthusiastic support from creditable media and causing heated discussion among over 200 million people all over the internet, making recombinant collagen ingredients and the Comfy brand deeply rooted in people’s hearts.

### **Continuously Improving the Sales Network Layout and Enhancing the Operation Capability of Each Channel**

We have established an omni-channel sales network for direct sales and distribution. During the Reporting Period, we further expanded our channel layout horizontally and vertically to reach consumers more extensively and effectively. At the same time, we have continuously strengthened the operational capabilities of each channel, achieving more precise customer targeting, mindshare gaining, increased customer retention, and optimized repurchase through comprehensive optimization of the “people-product-market” strategy.

As of the end of the Reporting Period, our products were sold through offline direct sales and distributors channels to approximately 1,400 public hospitals, approximately 2,200 private hospitals and clinics, approximately 500 pharmacy chain brands and about 4,000 CS/KA stores in China.

We also realize sales through e-commerce platforms and social media platforms such as Tmall, JD.com, Douyin, Xiaohongshu and Pinduoduo. During the Reporting Period, we achieved rapid growth in sales in channels such as Tmall and Douyin, while also exploring business opportunities from channels such as Kuaishou. During the Reporting Period, our direct sales channels generated revenue of RMB1,080 million, accounting for 67.5% of the total revenue; and the distribution channels generated revenue of RMB520 million, accounting for 32.5% of the total revenue.

## **Steadily Increasing Production Capacity**

We have always insisted on self-production and supply of core raw materials and relevant end products, continuously improving the stability of the supply chain and digital capabilities. We have end-to-end manufacturing capabilities, and stable long-term partnerships with high-quality suppliers. Through the enhancement of our intelligent and digital capabilities, we have achieved reasonable production scheduling and inventory management to meet the market demand during the 618 shopping festival.

To meet the Company's demands for future business growth, we have proactively planned for capacity expansion. During the Reporting Period, the Company's production expansion proceeded smoothly in accordance with our plan. We added 2 recombinant collagen production lines, 2 cosmetics product lines and 1 medical device line. Our new medical device factory and new health product factory are also under construction as scheduled, which will lay a solid foundation for the Company's mid- and long-term development.

## **II. BUSINESS OUTLOOK**

Looking forward, the industry will still face changes and uncertainties in the second half of 2023, bringing us both opportunities and challenges. We need to continue to solidify our foundation, stand in line with consumers, and do the right things in the long run.

We will continue to put effort on the basic and application research in the field of synthetic biology and explore more types of high-quality raw materials so as to provide more possibilities for the mid- and long-term development of the Company's business. Building on the foundation laid with the expansion of our core products, we will further enrich the product portfolio under Comfy and Collgene, providing consumers with a wide choice of skincare products. At the same time, we will continue to launch more highly sought-after product series and expand our target customer base and application scenarios of the brands in order to unleashing future growth potential.

We will put more efforts and resources in brand marketing, adhering to a long-term approach. Through a combination of communication with scientific proof and mass advertising, we will increase our brand exposure, capturing consumers' mindshare on our brands, and continuously enhance our brand reputation and recognition in the hearts of the consumers.

We will also focus on fine-tuning our channel operations, and utilize a combination of independent operations and collaboration with platform influencers to reach and attract more customers. By content creation and distribution, scene building and optimization, and customer management and interaction, we aim to increase conversion rates and user loyalty with a view to achieving higher operational efficiency and capability accumulation.

### III. OPERATING RESULTS

#### Revenue

For the six months ended 30 June 2023, our total revenue was RMB1,605.7 million, representing an increase of 63.0% from total revenue of RMB984.9 million for the six months ended 30 June 2022. Such increase was primarily due to our expanded product types, extensive development of the online channels and enhanced marketing of star products during the Reporting Period, which further improved product and brand influence, bringing a 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:

	Six months ended 30 June			
	2023		2022	
	Amount (unaudited)	%	Amount (unaudited)	%
	<i>(RMB in millions except for percentages)</i>			
<b>Professional skin treatment products</b>				
– functional skincare products	1,197.0	74.5	613.7	62.4
– medical dressings	397.8	24.8	347.1	35.2
<b>Functional foods and others</b>	<u>10.9</u>	<u>0.7</u>	<u>24.1</u>	<u>2.4</u>
<b>Total</b>	<u>1,605.7</u>	<u>100.0</u>	<u>984.9</u>	<u>100.0</u>

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 stable growth of bestselling classic products and rapid growth of new products.

(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 supermarket chains. We primarily sell and distribute our products to individual consumers, hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains through distributors. 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:

	Six months ended 30 June			
	2023		2022	
	Amount (unaudited)	%	Amount (unaudited)	%
	<i>(RMB in millions except for percentages)</i>			
<b>Direct sales</b>				
– Online direct sales through our DTC stores	977.2	60.9	427.9	43.4
– Online direct sales to e-commerce platforms	68.8	4.3	58.0	5.9
– Offline direct sales	37.1	2.3	24.6	2.5
<b>Subtotal</b>	<b>1,083.1</b>	<b>67.5</b>	<b>510.5</b>	<b>51.8</b>
<b>Sales to distributors</b>	<b>522.6</b>	<b>32.5</b>	<b>474.4</b>	<b>48.2</b>
<b>Total</b>	<b>1,605.7</b>	<b>100.0</b>	<b>984.9</b>	<b>100.0</b>

**Direct sales**

*Online direct sales through our DTC stores*

During the Reporting Period, revenue from online direct sales through our DTC stores amounted to RMB977.2 million, representing an increase of 128.4% as compared to the same period in 2022 and accounting for 60.9% of total revenue for the Reporting Period. Such increase was due to (1) our continuous strengthening of online multi-platform layout and refined operation, which achieved a fast growth on traditional e-commerce platforms such as Tmall and Douyin; (2) rapid increase in share of essence products, such as Comfy Human-like Recombinant Collagen Restoration Single-Use Essence (可復美Human-like重組膠原蛋白肌禦修護次拋精華), and Collgene Human-like Recombinant Collagen LIFTACTIV Compact and Elastic Single-Use Essence (可麗金Human-like重組膠原蛋白賦能珍萃緊致彈潤次拋精華), contributing to revenue growth; and (3) increased customer traffic by brand marketing and promotion to drive 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 RMB68.8 million, representing an increase of 18.6% as compared to that for the same period in 2022 and a stable year-on-year increase, accounting for 4.3% of total revenue for the Reporting Period.

### *Offline direct sales*

During the Reporting Period, revenue from offline direct sales amounted to RMB37.1 million, representing an increase of 50.8% as compared to the same period in 2022 and accounting for 2.3% of total revenue for the Reporting Period. 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, while strengthening marketing initiatives of stores and personnel training, driving the growth of revenue from this channel.

### **Sales to distributors**

During the Reporting Period, revenue from sales to distributors amounted to RMB522.6 million, representing an increase of 10.2% as compared to the same period in 2022, a stable year-on-year increase and accounting for 32.5% of total revenue for the Reporting Period.

### *(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:

	<b>Six months ended 30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
	<b>(unaudited)</b>		<b>(unaudited)</b>	
	<i>(RMB in millions except for percentages)</i>			
<b>Professional skin treatment products</b>				
– Comfy	<b>1,228.2</b>	<b>76.4</b>	611.0	62.1
– Collgene	<b>320.5</b>	<b>20.0</b>	301.2	30.6
– Other brands	<b>46.1</b>	<b>2.9</b>	48.6	4.9
<b>Functional foods and others</b>	<b>10.9</b>	<b>0.7</b>	24.1	2.4
<b>Total</b>	<b>1,605.7</b>	<b>100.0</b>	984.9	100.0

## **Professional skin treatment products**

### *Comfy*

During the Reporting Period, the sales revenue from Comfy amounted to RMB1,228.2 million, representing an increase of 101.0% as compared to the same period in 2022 and accounting for 76.4% of total revenue for the Reporting Period. 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) continued expansion of essence, facial mask, lotion and other product types, such as Comfy Human-like Recombinant Collagen Restoration Single-Use Essence (可復美Human-like重組膠原蛋白肌禦修護次拋精華), Comfy Human-like Collagen Repair Patch (可復美類人膠原蛋白修護貼), Comfy Recombinant Collagen Repair Essence Emulsion (可復美重組膠原蛋白肌禦賦活修護精粹乳), contributing to revenue growth.

### *Collgene*

During the Reporting Period, the sales revenue from Collgene amounted to RMB320.5 million, representing an increase of 6.4% as compared to the same period in 2022 and accounting for 20.0% of total revenue for the Reporting Period. Such increase was due to our continued expansion of online channels, which further improved brand recognition.

### *Other Brands*

During the Reporting Period, the sales revenue from other brands amounted to RMB46.1 million, representing a decrease of 5.1% as compared to the same period in 2022 and accounting for 2.9% of total revenue for the Reporting Period. Such decrease was mainly due to the impact on certain product types as we consolidated the product lines of minority brands.

## **Functional foods and others**

During the Reporting Period, the sales revenue from functional foods and others amounted to RMB10.9 million, representing a decrease of 54.8% as compared to the same period in 2022 and accounting for 0.7% of total revenue for the Reporting Period.

## **Cost of sales**

For the six months ended 30 June 2023, cost of sales was RMB254.7 million, representing an increase of 73.7% from RMB146.6 million for the six months ended 30 June 2022. Such increase was mainly due to the increase in sales of products resulted in (1) an increase in total costs of raw materials from RMB106.4 million in 2022 to RMB199.5 million in 2023; (2) a corresponding increase in freight costs; and (3) an increase in direct manufacturing costs and labor costs due to the increase in purchasing new equipment and number of frontline staff to cope with the expansion of production scale.

### **Gross profit and gross profit margin**

For the six months ended 30 June 2023, gross profit amounted to RMB1,351.0 million, representing an increase of 61.2% from RMB838.3 million for the six months ended 30 June 2022, mainly due to the increase in sales revenue.

Gross profit margin decreased from 85.1% for the six months ended 30 June 2022 to 84.1% for the six months ended 30 June 2023, mainly due to the expansions of product types and channels.

### **Selling and distribution expenses**

For the six months ended 30 June 2023, selling and distribution expenses amounted to RMB555.2 million, representing an increase of 110.3% from RMB264.0 million for the six months ended 30 June 2022. Such increase was mainly due to the increase in online marketing expenses in relation to the rapid expansion of online direct sales channels.

### **Research and development costs**

For the six months ended 30 June 2023, research and development costs amounted to RMB34.0 million, representing an increase of 80.8% from RMB18.8 million for the six months ended 30 June 2022, and accounted for 2.1% and 1.9% of our revenue for the six months ended 30 June 2023 and the six months ended 30 June 2022, respectively. Such increase was primarily due to our continued investment in research and development in basic research and pipeline products and the increase in employee compensation expenses resulting from the increase in number of research and development personnel.

### **Other income**

For the six months ended 30 June 2023, other income amounted to RMB33.3 million, representing an increase of 76.5% from RMB18.9 million for the six months ended 30 June 2022. Such increase was mainly attributable to the increases in government grants and interest income.

### **Other gains or losses, net**

For the six months ended 30 June 2023, other net gains amounted to RMB28.6 million, while other net losses for the six months ended 30 June 2022 amounted to RMB9.3 million. Such gain was mainly attributable to foreign exchange gains and fair value gains on financial assets at FVTPL.

### **Administrative expenses**

For the six months ended 30 June 2023, administrative expenses amounted to RMB47.5 million, representing a decrease of 5.7% from RMB50.3 million for the six months ended 30 June 2022. It was mainly due to the decrease of listing expenses.

### **Income tax expense**

For the six months ended 30 June 2023, income tax expense amounted to RMB109.6 million, representing an increase of 44.4% from RMB75.9 million for the six months ended 30 June 2022, mainly due to the increase in our taxable revenue.

### **Profit for the period**

As a result of the foregoing, for the six months ended 30 June 2023, profit for the period amounted to RMB666.0 million, representing an increase of 52.3% from RMB437.2 million for the six months ended 30 June 2022.

### **Basic and diluted earnings per share**

For the six months ended 30 June 2023, the basic earnings per share amounted to RMB0.67, representing an increase of 48.9% from RMB0.45 for the six months ended 30 June 2022. For the six months ended 30 June 2023, diluted earnings per share amounted to RMB0.66, representing an increase of 61.0% from RMB0.41 for the six months ended 30 June 2022. 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 30 June 2023, we did not have any outstanding bank loans or other borrowings. As a result, gearing ratio was not applicable as of 30 June 2023.

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

As of 30 June 2023, 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 30 June 2023, the Group did not pledge any assets.

## MATERIAL INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2023, the Group subscribed wealth management products issued by banks in the PRC with its working capital as part of the Group's fund management to maximize its return on the surplus cash received from its business operation while maintaining flexibility and liquidity. Such wealth management products were with relatively low risk and high liquidity. As at 30 June 2023, wealth management products held by the Group with a value of 5% or more of the Group's total assets as at 30 June 2023 are set out as follows:

Counterparty	Product type	Principal amount as of 30 June 2023 (RMB'000)	Unrealized gain or loss for the six months ended 30 June 2023 (RMB'000)	Fair value change as of 30 June 2023 (RMB'000)	Fair value as of 30 June 2023 (RMB'000)	Assets ratio <sup>1</sup>
CMB Wealth Management Co., Ltd.	Fixed return products	2,250	–	–	2,250	0.06%
	Wealth management plan with non-guaranteed principal and floating return	385,000	1,242	1,242	386,242	9.96%
Bank of Xian Co., Ltd.	Wealth management plan with non-guaranteed principal and floating return	309,473	6,668	7,232	316,705	8.17%
Chang'an Bank Co., Ltd.	Wealth management plan with non-guaranteed principal and floating return	310,000	8,088	6,149	316,149	8.15%

Note:

- The assets ratio set out in this table is computed by dividing the fair value of the relevant products as at 30 June 2023 by the total assets of the Company as at 30 June 2023.

Save as disclosed above, for the six months ended 30 June 2023, the Group had no material investments with a value of 5% or more of the Group's total assets as of 30 June 2023 (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 30 June 2023), nor had any material acquisitions or disposals of subsidiaries, associates and joint ventures. The subscription of the wealth management products above was conducted without application of the Company's proceeds from the initial public offering.

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

The Group had no specific plan for material investments and purchase of capital assets as of 30 June 2023.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of 30 June 2023, our liquidity amounted to RMB1,557.5 million, which consisted of cash and cash equivalents, representing an increase of 17.0% from RMB1,331.0 million for the year ended 31 December 2022.

## **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 contracts to hedge the risks.

### **Credit Risk**

Receivable balances are monitored on an ongoing 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 financial institutions. As of the end of 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.

## **CONTINGENT LIABILITIES**

As of 30 June 2023, the Group had no material contingent liabilities.

## CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

As of 30 June 2023, our capital commitments mainly plant, machinery and buildings amounting to RMB515.8 million. The Company recorded capital expenditures of RMB187.0 million for the six months ended 30 June 2023, which were primarily used for construction of new plants and purchase of production line equipment.

## EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of 30 June 2023, the Group had 1,023 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 categorized by function as of 30 June 2023:

<b>Function</b>	<b>Number of Employees</b>	<b>% of Total</b>
Manufacturing	362	36.7
Research and development	138	13.0
Sales and marketing	335	33.0
General and administration	188	17.3
<b>Total</b>	<b>1,023</b>	<b>100.0</b>

Our success depends on our ability to attract, retain and motivate qualified personnel. We recruit employees through on-campus recruiting and open recruiting to reach talents with education background in relevant subjects or working experiences in relevant industries for our research and development, sales, management and operation 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 1.91% 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.

On 17 August 2023, the 2023 share option scheme (“**2023 Share Option Scheme**”) and the 2023 share award scheme (“**2023 Share Award Scheme**”) were adopted at the general meeting of the Company. The purposes of these schemes were, among others, to attract suitable talents for further growth and development of the Group. The maximum number of shares issuable pursuant to the 2023 Share Option Scheme and the 2023 Share Award Scheme in aggregate will be 99,500,000 shares, representing 10% of the total number of shares in issue. As at the Latest Practicable Date, the maximum number of shares issuable to service provider participants pursuant to the 2023 Share Option Scheme and the 2023 Share Award Scheme in aggregate will be 19,900,000 shares, representing 2% of the total number of shares in issue. As of the date of this announcement, no grant has been made under the 2023 Share Option Scheme and the 2023 Share Award Scheme.

## **INTERIM DIVIDENDS**

The Board has resolved not to recommend the distribution of interim dividends for the six months ended 30 June 2023.

## **PURCHASE, REDEMPTION AND SALE OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange during the Reporting Period.

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

The Company is committed to achieving high standards of corporate governance with a view to safeguard the interests of its shareholders. The Directors are aware of the importance of incorporating elements of good corporate governance into the Group’s management structure and internal control procedures to achieve effective accountability.

The Company has adopted the Corporate Governance Code (“**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions set out in the Corporate Governance Code for the six months ended 30 June 2023, save for the deviations from Code Provision C.2.1.

According to Code Provision C.2.1 under the Corporate Governance Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman of the Board and chief executive officer should be clearly established and set out in writing. The roles of chairman of the Board and the chief executive officer are currently performed by Mr. Yan Jianya as the two functions are not separated in the Company. 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 Jianya act 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 the business strategies of the Company. The Company considers it appropriate and beneficial to our business development and prospects that Mr. Yan Jianya continues to act as both our chairman of the Board and chief executive officer, and therefore it is currently not proposed to separate the functions of chairman of the Board and chief executive officer.

## 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. 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 Reporting Period and as of the date of this results announcement.

## PROCEEDS FROM THE GLOBAL OFFERING

On 4 November 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.

During the Reporting Period 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 five years based on its actual business situations.

As of 30 June 2023, 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 six months ended 30 June 2023 (HK\$ million)	Unutilized amount as at 30 June 2023 (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	11.0	52.1
Expansion of manufacturing capacity with respect to our product portfolios and bioactive ingredients	28%	160.6	83.8	76.8
Enhancement of our omni-channel sales and distribution network, and implementation of our science- and knowledge-driven marketing activities to enhance our brand recognition	46%	263.9	59.3	204.6
Enhancement of our operation and information systems	5%	28.7	3.7	25
Working capital and general corporate uses	10%	57.4	9.9	47.4
<b>Total</b>	<b>100%</b>	<b>573.7</b>	<b>167.7</b>	<b>406.0</b>

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save for those disclosed in this results announcement, 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.

## AUDIT COMMITTEE

The Company's Audit Committee is comprised of Ms. Wong Sze Wing (chairperson), Mr. Huang Jin and Mr. Shan Wenhua, all of whom are independent non-executive Directors. The Company's Audit Committee has reviewed the unaudited interim results and interim report of the Company for the six months ended 30 June 2023.

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

This 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.xajuji.com](http://www.xajuji.com)). The interim report of the Company for the six months ended 30 June 2023 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, 28 August 2023

*As of the date of this announcement, the Board comprises Mr. Yan Jianya, 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.*