

巨子生物控股有限公司

GIANT BIOGENE HOLDING CO., LTD

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

— Stock Code : 2367 —



2023

INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yan Jianya (嚴建亞)
(Chairman and chief executive officer)
Dr. Fan Daidi (范代娣) (*resigned on 7 July 2023*)
Ms. Ye Juan (葉娟)
Ms. Fang Juan (方娟)

Non-executive Director

Mr. Chen Jinhao (陳錦浩)

Independent Non-executive Directors

Mr. Huang Jin (黃進)
Mr. Shan Wenhua (單文華)
Ms. Wong Sze Wing (黃斯穎)

AUDIT COMMITTEE

Ms. Wong Sze Wing (黃斯穎) (Chairperson)
Mr. Huang Jin (黃進)
Mr. Shan Wenhua (單文華)

REMUNERATION COMMITTEE

Mr. Shan Wenhua (單文華) (Chairman)
Mr. Yan Jianya (嚴建亞)
Ms. Wong Sze Wing (黃斯穎)

NOMINATION COMMITTEE

Mr. Yan Jianya (嚴建亞) (Chairman)
Mr. Huang Jin (黃進)
Mr. Shan Wenhua (單文華)

CORPORATE GOVERNANCE COMMITTEE

Mr. Yan Jianya (嚴建亞) (Chairman)
Ms. Fang Juan (方娟)
Mr. Shan Wenhua (單文華)

JOINT COMPANY SECRETARIES

Ms. Yan Yubo (嚴鈺博)
Ms. Yiu Suk Han (姚淑嫻) (ACG HKACG)
(*resigned on 28 August 2023*)
Ms. Yuen Wing Yan, Winnie (袁穎欣) (FCG HKFCG (PE))
(*appointed on 28 August 2023*)

AUTHORIZED REPRESENTATIVES

Mr. Yan Jianya (嚴建亞)
Ms. Yiu Suk Han (姚淑嫻) (*resigned on 28 August 2023*)
Ms. Yuen Wing Yan, Winnie (袁穎欣)
(*appointed on 28 August 2023*)

REPORTING ACCOUNTANTS AND INDEPENDENT AUDITOR

Ernst & Young

Certified Public Accountant
Registered Public Interest Entity Auditor
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COMPLIANCE ADVISER

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▶ Corporate information

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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REGISTERED OFFICE

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Grand Cayman
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Shanghai Pudong Development Bank Co., Ltd. (Xi'an Branch)

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Chang'an Bank Co., Ltd. (Xi'an Hightech Sub-Branch)

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FINANCIAL HIGHLIGHTS

RESULTS

	Six months ended 30 June		
	2023 (unaudited)	2022 (unaudited)	Changes (%)
	<i>(RMB in thousands except for percentages)</i>		
Revenue	1,605,698	984,891	63.0%
Gross Profit	1,350,996	838,254	61.2%
Profit before tax	775,583	513,093	51.2%
Profit for the period	666,023	437,243	52.3%
Profit for the period attributable to the owners of parent company	666,940	437,243	52.5%
Profit for the period attributable to non-controlling interests	(917)	–	–

ASSETS AND LIABILITIES

	30 June 2023 (unaudited)	31 December 2022 (audited)	Changes (%)
		<i>(RMB in thousands except for percentages)</i>	
Total assets	3,878,019	3,138,225	23.6%
Total liabilities	360,532	301,192	19.7%
Total equity	3,517,487	2,837,033	24.0%
Non-current assets	743,131	600,490	23.8%
Current assets	3,134,888	2,537,735	23.5%
Current liabilities	336,238	280,905	19.7%
Net current assets	2,798,650	2,256,830	24.0%
Non-current liabilities	24,294	20,287	19.8%
Total Equity	3,517,487	2,837,033	24.0%

MANAGEMENT DISCUSSION AND ANALYSIS

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" (《化妆品用重组胶原蛋白原料》) (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.

► Management discussion and analysis

With regard to the basic research for application, we pro-actively study such innovative material combinations for soothing effect, such as “Juganyuan” (巨苷源) 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 extend 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.

► Management discussion and analysis

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 RMB1,228 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 creditable 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重組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 RMB321 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, the Company 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.

► Management discussion and analysis

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 RMB1,083 million, accounting for 67.5% of the total revenue; and the distribution channels generated revenue of RMB523 million, accounting for 32.5% of the total revenue.

► Management discussion and analysis

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)	%
	(RMB in millions except for percentages)			
Professional skin treatment products				
– functional skincare products	1,197.0	74.5	613.7	62.4
– medical dressings	397.8	24.8	347.1	35.2
Functional foods and others	10.9	0.7	24.1	2.4
Total	1,605.7	100.0	984.9	100.0

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.

► Management discussion and analysis

(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)	%
(RMB in millions except for percentages)				
Direct sales				
– 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
Subtotal	1,083.1	67.5	510.5	51.8
Sales to distributors	522.6	32.5	474.4	48.2
Total	1,605.7	100.0	984.9	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 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.

► Management discussion and analysis

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:

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

► Management discussion and analysis

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 operation 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; (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.

► Management discussion and analysis

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.

► Management discussion and analysis

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	Unrealized	Fair value	Fair value	Assets ratio ¹
		amount as of	gain or loss	change as of	as of	
		30 June 2023	for the	30 June 2023	30 June 2023	
		(RMB'000)	six months	(RMB'000)	(RMB'000)	
			ended			
			30 June 2023			
			(RMB'000)			
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.

► Management discussion and analysis

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 include 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:

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

► Management discussion and analysis

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 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 report. 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 to promote 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 date of this report, 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 report, no grant has been made under the 2023 Share Option Scheme and the 2023 Share Award Scheme.

OTHER INFORMATION

INTERIM DIVIDENDS

The Board did not recommend the distribution of any interim dividends for the six months ended 30 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding 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 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-month period 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 have not been separated by 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 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 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

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding dealings by Directors in the securities of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the provisions of the Model Code during the six months ended 30 June 2023.

The Company has also established and implemented policies and procedures for the disclosure of information, including but not limited to the disclosure of inside information, including monitoring potential inside information, ensuring that relevant facts and circumstances that are material to the Company's share price are promptly identified and assessed, and bringing such matters to the attention of the Board as necessary to determine whether a disclosure is required. Directors, senior management and relevant employees who are in possession of inside information or potential inside information are required to take reasonable steps to preserve confidentiality and ensure that its recipients are aware of their obligations to maintain confidentiality.

CHANGES IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

On 7 July 2023, Dr. Fan Daidi has tendered her resignation as an executive Director with effect from 7 July 2023 due to work arrangements. For details, please refer to the Company's announcement dated 7 July 2023.

Mr. Huang Jin has been appointed as an independent director of Cinda Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601059) since June 2023.

Ms. Wong Sze Wing had resigned as an independent director of Wangsu Science & Technology Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 300017) since June 2023.

Save as disclosed above, there are no changes in the information of Directors and senior management which are required to be disclosed under Rule 13.51B(1) of the Listing Rules.

▶ Other information

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

So far as is known to the Directors or chief executive of the Company, as of 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) recorded in a register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are set out in the table in the paragraph headed "Interests and/or Short Positions of Substantial Shareholders in the Shares and Underlying Shares of the Company" below.

Name of Director or chief executive	Nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the Company as of 30 June 2023 ⁽²⁾
Mr. Yan Jianya ("Mr. Yan")	Interest of spouse; beneficiary of a trust ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	601,004,935	60.40%
Dr. Fan Daidi ⁽¹⁰⁾ ("Dr. Fan")	Interest in controlled corporation ⁽³⁾	581,104,935	58.40%
	Interest in controlled corporation ⁽⁴⁾	900,000	0.09%
	Executor or administrator of a trust ⁽⁵⁾	19,000,000	1.91%
Ms. Ye Juan ⁽⁸⁾	Beneficiary of a trust	681,000	0.07%
Ms. Fang Juan ⁽⁹⁾	Beneficiary of a trust	855,333	0.09%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 995,000,000 Shares in issue as at the date of this interim report.
- (3) Juzi Holding is wholly owned by Refulgence Holding, the holding vehicle for the benefit of the FY Family Trust with Dr. Fan as the settlor and beneficiary. Refulgence Holding is legally owned by Trident Trust Company (B.V.I.) Limited as trustee for the benefit of the FY Family Trust. As such, each of Dr. Fan, Refulgence Holding and Trident Trust Company (B.V.I.) Limited is deemed to be interested in the 581,104,935 Shares held by Juzi Holding in the Company.
- (4) Healing Holding is wholly owned by Dr. Fan. As such, Dr. Fan is deemed to be interested in the 900,000 Shares held by Healing Holding in the Company.
- (5) GBEBT Holding is a platform holding the underlying incentive Shares under the RSU Scheme, and its voting right was entrusted to Dr. Fan. GBEBT Holding is legally owned by Trident Trust Company (HK) Limited as trustee for the benefit of the GB Employee Benefit Trust. As such, each of Trident Trust Company (HK) Limited and Dr. Fan is deemed to be interested in the 19,000,000 Shares held by GBEBT Holding in the Company.
- (6) Mr. Yan is the spouse of Dr. Fan. As such, he is deemed to be interested in the Shares held by Juzi Holding, Healing Holding and GBEBT Holding in the Company.

► Other information

- (7) Mr. Yan, executive Director, is entitled to RSUs equivalent to 10,459,502 Shares (subject to vesting conditions), which are held under a trust pursuant to the RSU Scheme. Such 10,459,502 Shares have been covered in the 19,000,000 Shares held by GBEBT Holding in the Company.
- (8) Ms. Ye Juan, executive Director, is entitled to RSUs equivalent to 681,000 Shares (subject to vesting conditions), which are held under a trust pursuant to the RSU Scheme.
- (9) Ms. Fang Juan, executive Director, is entitled to RSUs equivalent to 855,333 Shares (subject to vesting conditions), which are held under a trust pursuant to the RSU Scheme.
- (10) Dr. Fan has resigned as a Director of the Company on 7 July 2023.

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors or chief executive of the Company, as of 30 June 2023, the following persons (other than Directors or chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of our Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity and nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in our Company as of 30 June 2023 ⁽²⁾
Dr. Fan	Interest in controlled corporation ⁽³⁾	581,104,935	58.40%
	Interest in controlled corporation ⁽⁴⁾	900,000	0.09%
	Executor or administrator of a trust ⁽⁵⁾	19,000,000	1.91%
Juzi Holding ⁽³⁾	Beneficial owner	581,104,935	58.40%
Refulgence Holding ⁽³⁾	Interest in controlled corporation	581,104,935	58.40%
Trident Trust Company (B.V.I.) Limited ⁽³⁾	Trustee	581,104,935	58.40%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 995,000,000 Shares in issue as at the date of this interim report.
- (3) Juzi Holding is wholly owned by Refulgence Holding, the holding vehicle for the benefit of the FY Family Trust with Dr. Fan as the settlor and beneficiary. Refulgence Holding is legally owned by Trident Trust Company (B.V.I.) Limited as trustee for the benefit of the FY Family Trust. As such, each of Dr. Fan, Refulgence Holding and Trident Trust Company (B.V.I.) Limited is deemed to be interested in the 581,104,935 Shares held by Juzi Holding in the Company.
- (4) Healing Holding is wholly owned by Dr. Fan. As such, Dr. Fan is deemed to be interested in the 900,000 Shares held by Healing Holding in the Company.
- (5) GBEBT Holding is a platform holding the underlying incentive Shares under the RSU Scheme, and its voting right was entrusted to Dr. Fan. GBEBT Holding is legally owned by Trident Trust Company (HK) Limited as trustee for the benefit of the GB Employee Benefit Trust. As such, each of Trident Trust Company (HK) Limited and Dr. Fan is deemed to be interested in the 19,000,000 Shares held by GBEBT Holding in the Company.

► Other information

Except as disclosed herein, the Directors or chief executive of the Company are not aware of any other person who had any interests and/or short positions in the Shares or underlying Shares of our Company as at the date of this report which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of our Company.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the period ended 30 June 2023, neither the Company nor its subsidiaries has purchased, sold or redeemed any of its listed securities.

EMPLOYEE INCENTIVE PLANS

RSU Scheme

The following is a summary of the principal terms of the RSU Scheme adopted by us on 8 December 2021. No further RSUs will be granted under the RSU Scheme after the Listing.

Purposes. The purposes of the RSU Scheme are to (i) improve the employee incentive and remuneration mechanism of the Group and align the interests of our Shareholders and employees to promote the Group's development in the long run; and (ii) attract and retain our senior management team and core talents, motivate their initiatives and creativity so as to enhance the operation efficiency and management performance of the Group.

RSU Scheme Limit. The maximum number of Shares underlying all RSUs to be granted 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 at the date of this report. All the RSUs with a total of 19,000,000 underlying Shares had been granted prior to the Listing, and no further RSUs will be granted under the RSU Scheme after the Listing. There is no maximum entitlement of each participant under the RSU Scheme as the RSU Scheme was adopted before the adoption date of the current effective Chapter 17 of the Listing Rules.

Term of the RSU Scheme. Subject to any early termination upon occurrence of any termination events, the RSU Scheme shall be valid and effective for a period of ten years, commencing on the date of adoption of the RSU Scheme by the Board. The remaining life of the RSU Scheme is eight years.

Grant Prices. The grant prices of RSUs granted to each participant of the RSU Scheme are RMB4.74 per share (granted on 8 December 2021) and RMB20 per share (granted on 26 September 2022), respectively. The grant prices were determined by multiplying the share price of the latest round of financing by a certain discount rate, and it shall not, in principle, be lower than the audited net carrying amount of asset per share and the par value per share.

Participants. Participants of the RSU Scheme (the "RSU Participants") include (i) the Directors, members of senior and middle level management team, core talents of the Group and any other persons as the Board may deem necessary to incentivize; and (ii) any professional consultant to the Group as recognized by the Board and other person who, in the opinion of the Board, has made or will make contribution to the Group.

Vesting of RSUs. The RSUs granted to each RSU Participant are expected to be vested in five equal instalments, with 20% of the total number of Shares granted to such RSU Participant being vested after each of the twelve months starting from the date of grant, subject to any adjustment by the Board taking into consideration, among others, the business performance of the Company and results of the annual performance review of such RSU Participant.

Prior to the vesting date, the Board will review whether the vesting conditions have been satisfied. If the vesting conditions have been satisfied, the Board will serve a vesting notice to such RSU Participant. If such RSU Participant fails to satisfy the vesting conditions, the Board will decide whether to delay the vesting of the relevant RSUs or declare lapse of relevant RSUs.

► Other information

Details of the RSUs granted to Directors, connected persons of our Company and the five highest paid employees of the Group are set out as below:

RSU Participants	Relationship with the Company	Date of grant	Number of underlying Shares granted	Shares that are not vested and subject to the unlocking conditions as of 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Shares that are not vested and subject to the unlocking conditions as of 30 June 2023
Mr. Yan	Chairman of the Board, executive Director and chief executive officer	2021/12/8	5,107,833	5,107,833	-	2,043,133	-	-	3,064,700
		2022/9/26	5,351,669	5,351,669	-	-	-	-	5,351,669
Ms. Ye Juan	Executive Director and senior vice president	2021/12/8	475,000	475,000	-	190,000	-	-	285,000
		2022/9/26	206,000	206,000	-	-	-	-	206,000
Ms. Fang Juan	Executive Director and senior vice president	2021/12/8	633,333	633,333	-	253,333	-	-	380,000
		2022/9/26	222,000	222,000	-	-	-	-	222,000
Ms. Yan Yajuan	Senior vice president, an associate of Mr. Yan	2021/12/8	522,500	522,500	-	209,000	-	-	313,500
		2022/9/26	215,000	215,000	-	-	-	-	215,000
The five highest paid employees of the Group		2022/9/26	800,000	800,000	-	-	-	-	800,000
<i>Sub-total</i>			13,533,335	13,533,335	-	2,695,466	-	-	10,837,869
Employees except for the Directors, connected persons or the five highest paid employees of the Group		2021/12/8	2,615,665	2,615,665	-	1,046,266	-	-	1,569,399
		2022/9/26	2,851,000	2,851,000	-	-	-	-	2,851,000
Total			19,000,000	19,000,000	-	3,741,732	-	-	15,258,268

As of 30 June 2023, a total of 10,459,502 underlying Shares, representing 1.05% of the total number of issued Shares, were granted to Mr. Yan, the Chairman, executive Director and chief executive officer of the Company under the RSU Scheme. Save as disclosed above, as of 30 June 2023, there were no RSU Participants whose underlying Shares granted or to be granted exceeded 1% of the total number of issued Shares.

During the Reporting Period, a total of 3,741,732 underlying Shares have been vested, the weighted average closing price per underlying Share immediately before the date on which the RSUs were vested was HK\$31.5 per Share.

► Other information

2023 Share Option Scheme and 2023 Share Award Scheme

The following is a summary of the principal terms of the 2023 Share Option Scheme and 2023 Share Award Scheme (collectively, “**2023 Schemes**”) adopted by us on 17 August 2023. Terms used herein shall have the same meaning as those defined in the circular of the Company dated 31 July 2023.

Purposes. The purpose of the 2023 Schemes is to provide an opportunity for the Participants to have a personal stake in the Company, to recognize, motivate and provide incentives to the Participants, to attract and retain the best available personnel, to provide additional incentives to the Participants, to promote the success of the business of the Group, and for such other purposes as the Board may approve from time to time.

Participants. Comprising: (i) Employee Participants: directors (excluding independent non-executive directors) or employees (whether full-time or part-time) of any member of the Group (including any person who is granted Option(s) or Awarded Share(s) as an inducement to enter into employment contract with any member of the Group); (ii) Related Entity Participants: directors, supervisors or employees of the following: a “holding company” of the Company (as defined in the SFO); a “subsidiary” of a holding company of the Company (as defined in the SFO) other than the Group; or an “associate” of the Company (as defined in the Listing Rules); and (iii) Service Provider Participants: persons (including entities) providing services to the Group on a continuing basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the Board (or CEO, a committee or any other authorized agent(s) as deemed appropriate at the sole discretion of the Board) pursuant to criteria in the 2023 Schemes.

Scheme Limit and Service Provider Sublimit. The maximum number of Shares issuable pursuant to the 2023 Schemes in aggregate will be 99,500,000 Shares, being 10% of the total number of Shares in issue as at the date of this report. The maximum number of Shares issuable to Service Provider Participants pursuant to the 2023 Schemes in aggregate will be 19,900,000 Shares, being 2% of the total number of Shares in issue as at the date of this report.

Maximum Entitlement of Each Participant. Where any grant of Options or Awarded Shares to a Participant would result in the total number of Shares issued and to be issued in respect of all Options and awards granted (excluding any Options and awards lapsed in accordance with the terms of the 2023 Schemes or any other schemes of the Company) under the 2023 Schemes in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total number of Shares in issue, such grant must be separately approved by the Shareholders in general meeting with such Participant and his/her close associates (or associates if the Participant is a connected person) abstaining from voting.

Vesting Period. The minimum vesting period for an Option or an Awarded Share, in general, is 12 months before the Option or the Awarded Share can be exercised. A shorter vesting period may be granted to a Participant at the discretion of the Board (or the CEO, a committee or any other authorized agent(s) as deemed appropriate at the sole discretion of the Board) as deemed appropriate at the sole discretion of the Board if such grants are:

- (a) grants of “make-whole” Option or Awarded Share to new joiners to replace the share awards which were forfeited when leaving the previous employer;
- (b) grants to a Participant whose employment is terminated due to death or disability or occurrence of any out-of-control event, which includes scenarios as illustrated in the terms of 2023 Schemes and would serve as compassionate arrangements for relevant Participants in line with market practice;

► Other information

- (c) grants that are made in batches during a year for administrative and compliance reasons, which include Option(s) or Awarded Share(s) that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which Option(s) or Awarded Share(s) would have been granted;
 - (d) grants with a mixed or accelerated vesting schedule such as where Option(s) or Awarded Share(s) may vest evenly over a period of 12 months under, including but not limited to, the circumstances set out in the terms of 2023 Schemes, which gives the Company more flexibility in providing incentives to the Participants and is in line with market practice; or
 - (e) grants with performance-based vesting conditions in lieu of time-based vesting criteria, in which the Company expects the Participants to achieve their performance targets as soon as possible by offering immediate vesting upon fulfilment of the performance targets, and the Participants could be incentivized to the largest extent.
- (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Share Option Offer Date; and
 - (c) the par value per Share on the date of grant, provided that in the event of fractional prices, the Exercise Price per Share shall be rounded upwards to the nearest whole cent.

Awarded Share Purchase Price. The purchase price (if any) in respect of any particular Award shall be such price as the Board (or CEO, a committee or any other authorized agent(s) as deemed appropriate at the sole discretion of the Board) may in its absolute discretion determine at the time of grant of the relevant Award (and shall be stated in the Grant Notice) and taking into consideration of the factors such as prevailing closing price of the Shares, the purpose of the 2023 Share Award Scheme, the performance of the relevant Participant(s) and his/her potential and expected contribution to the growth and development of the Company. For avoidance of doubt, the Awards under the 2023 Share Award Scheme could be exercised at nil consideration or at certain price.

Option Exercise Period. A period to be determined and notified by the CEO or any other authorised agent(s) as deemed appropriate at the sole discretion of the Board in its absolute discretion to each Grantee as being the period during which an Option may be exercised, and in any event, such period shall expire at the close of business on the business day immediately preceding the tenth anniversary of the date of the grant of the Options.

Option Exercise Price. No Payment is required for the application or acceptance of any Option. The Option Exercise Price shall be a price to be solely determined by the Board (or CEO, a committee or any other authorized agent(s) as deemed appropriate at the sole discretion of the Board) in its absolute discretion and notified to a Participant, but in any case the Option Exercise Price shall be at least the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Share Option Offer Date;

Remaining Life of Schemes. The 2023 Schemes shall be valid and effective for a period of 10 years commencing on the Adoption Date, with a remaining life of 10 years as of the date of this report.

As at the date of this report, no grant was made under the 2023 Schemes. As at the beginning and the end of the Reporting Period, the 2023 Share Option Scheme and the 2023 Share Award Scheme have not yet been adopted and, therefore, there were no Options and Award Shares available for grant. For the six months ended 30 June 2023, the Company has not granted any Options or awards, therefore the percentage of the number of Shares that may be issued in respect of Options and awards granted under all the share schemes of the Company during the Reporting Period divided by the weighted average number of Shares of the Shares in issue for the Reporting Period is not applicable.

► Other information

CONTINUING DISCLOSURE OBLIGATIONS UNDER THE LISTING RULES

As of 30 June 2023, the Company did not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

GROSS PROCEEDS FROM THE GLOBAL OFFERING

On 4 November 2022, the Company was listed on the Main Board of the Hong Kong Stock Exchange. The number of Shares under the Global Offering was 22,608,800 Shares, comprising the offer of 2,261,200 Shares under the Hong Kong Public Offering and the offer of 20,347,600 Shares under the International Offering. Based on the final Offer Price of HK\$24.30 per Offer Share, the net proceeds received by the Company from the Global Offering, after deduction of underwriting fees and commissions and the estimated expenses payable by the Company in connection with the Global Offering, amounting to approximately HK\$573.7 million (including the net proceeds from the full exercise of the Over-allotment Option), will be used in accordance with the use of proceeds as disclosed in the Prospectus as following:

- approximately 11% of the net proceeds will be used for the investment in R&D to enlarge our R&D team through recruitment, expand our R&D facilities and conduct testing and validation studies;
- approximately 28% of the net proceeds will be used for the expansion of manufacturing capacity with respect to our product portfolios and bioactive ingredients;

- approximately 46% of the net proceeds will be used to enhance our omni-channel sales and distribution network, and implement our science- and knowledge-driven marketing initiatives to enhance our brand recognition;
- approximately 5% of the net proceeds will be used for the enhancement of our operation and information systems; and
- approximately 10% of the net proceeds will be used for working capital and general corporate uses.

Since the Listing Date and up to the date of this report, 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.

► Other information

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)	Unutilized amount as at 1 January 2023 (HK\$ million)	Amount utilized during the period ended 30 June 2023 (HK\$ million)	Accumulated amount utilized (HK\$ million)	Amount unutilized 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	62.7	10.6	11.0	52.1
Expansion of manufacturing capacity with respect to our product portfolios and bioactive ingredients	28%	160.6	149	72.2	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	261.1	56.5	59.3	204.6
Enhancement of our operation and information systems	5%	28.7	28.7	3.7	3.7	25
Working capital and general corporate uses	10%	57.4	55.5	8.0	9.9	47.4
Total	100%	573.7	557	151.0	167.7	406.0

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. The interim results and the condensed consolidated financial statements of the Group for the six months ended 30 June 2023 were approved and authorized for issue by the Board on 28 August 2023.

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

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	4	1,605,698	984,891
Cost of sales		(254,702)	(146,637)
Gross profit		1,350,996	838,254
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		332	147
PROFIT BEFORE TAX	5	775,583	513,093
Income tax expense	6	(109,560)	(75,850)
PROFIT FOR THE PERIOD		666,023	437,243
Attributable to:			
Owners of the parent		666,940	437,243
Non-controlling interests		(917)	–
		666,023	437,243
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		666,023	437,243
Attributable to:			
Owners of the parent:			
Ordinary shareholders of the parent		666,940	311,042
Preferred shareholders of the parent		–	126,201
Non-controlling interests		(917)	–
		666,023	437,243
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic (RMB yuan)		0.67	0.45
Diluted (RMB yuan)		0.66	0.41

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	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
Total non-current assets		743,131	600,490
CURRENT ASSETS			
Inventories		186,491	183,895
Trade and bills receivables	10	91,018	69,420
Prepayments, other receivables and other assets, current		76,319	87,496
Financial assets at fair value through profit or loss ("FVTPL")	15	1,223,551	865,973
Cash and cash equivalents		1,557,509	1,330,951
Total current assets		3,134,888	2,537,735
CURRENT LIABILITIES			
Trade payables	11	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
Total current liabilities		336,238	280,905
NET CURRENT ASSETS		2,798,650	2,256,830
TOTAL ASSETS LESS CURRENT LIABILITIES		3,541,781	2,857,320

► Interim Condensed Consolidated Statement of Financial Position
30 June 2023

		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	Notes		
NON-CURRENT LIABILITIES			
Lease liabilities, non current		1,209	1,705
Deferred income		18,032	18,179
Deferred tax liabilities		5,053	403
Total non-current liabilities		24,294	20,287
Net assets		3,517,487	2,837,033
EQUITY			
Equity attributable to owners of the parent			
Ordinary share capital	12	63	63
Treasury shares		(1)	(1)
Reserves		3,510,781	2,833,410
		3,510,843	2,833,472
Non-controlling interests		6,644	3,561
Total equity		3,517,487	2,837,033

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Ordinary share capital	Treasury shares	Share premium	Surplus reserve	Other reserve	Retained profits	Subtotal			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2023 (audited)	63	(1)	1,596,869	88,094	69,720	1,078,727	2,833,472	3,561	2,837,033	
Profit and total comprehensive income for the period	-	-	-	-	-	666,940	666,940	(917)	666,023	
Capital injection into a subsidiary by non-controlling interests	-	-	-	-	-	-	-	4,000	4,000	
Recognition of equity-settled share-based payments	-	-	-	-	10,431	-	10,431	-	10,431	
As at 30 June 2023 (unaudited)	63	(1)	1,596,869	88,094	80,151	1,745,667	3,510,843	6,644	3,517,487	

For the six months ended 30 June 2022

	Attributable to owners of the parent								Total equity
	Ordinary share capital	Preferred share capital	Treasury shares	Share premium	Surplus reserve	Other reserve	Retained profits		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2022 (audited)	58	23	(1)	7,159,716	46,277	(6,307,781)	118,519	1,016,811	
Profit and total comprehensive income for the period	-	-	-	-	-	-	437,242	437,242	
Capital contribution from Series A preferred shareholders	-	1	-	241,890	-	-	-	241,891	
Redemption of ordinary shares	(21)	-	-	(6,359,817)	-	6,359,838	-	-	
Recognition of equity-settled share-based payments	-	-	-	-	-	8,248	-	8,248	
As at 30 June 2022 (unaudited)	37	24	(1)	1,041,789	46,277	60,305	555,761	1,704,192	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		775,583	513,093
Adjustments for:			
Finance costs		57	–
Interest income	4	(23,758)	(6,663)
Reversal of impairment of trade and bills receivables	5	(337)	(317)
Provision for impairment of prepayments, other receivables and other assets	5	5	170
Provision/(reversal of) impairment of inventories	5	648	(401)
Fair value (gains)/losses on financial assets at FVTPL		(15,194)	5,214
Depreciation of property, plant and equipment	5	15,154	11,826
Depreciation of investment properties	5	–	478
Amortization of other intangible assets	5	735	703
Depreciation of right-of-use assets	5	980	934
Loss on disposal of property, plant and equipment	9	2,371	2,855
Foreign exchange (gains)/losses, net	5	(15,042)	1,870
Equity-settled share award expenses	5	10,431	8,248
		751,633	538,010
Increase in inventories		(3,244)	(7,115)
(Increase)/decrease in trade and bills receivables		(21,261)	9,117
(Decrease)/increase in prepayments and other receivables		11,159	(125,175)
Increase in trade payables		18,745	11,453
Increase/(decrease) in other payables and accruals		36,780	(121)
(Decrease)/increase in deferred income		(359)	1,349
Increase/(decrease) in contract liabilities		731	(8,310)
Cash generated from operations			
Income tax paid		(101,289)	(107,800)
Net cash flows generated from operating activities		692,895	311,408

► Interim Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(186,961)	(42,605)
Proceeds from disposal of items of property, plant and equipment	50	–
Disposal of subsidiaries net of cash	33,134	–
Purchase of financial assets at FVTPL	(946,301)	(713,100)
Proceeds from disposal of financial assets at FVTPL	603,916	573,807
Additions to other intangible assets	–	(526)
Interest received	23,758	6,663
Net cash flows used in investing activities	(472,404)	(175,761)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to the Co-founders	–	(367,460)
Capital contribution from series A preferred shareholders	–	241,891
Capital injection into a subsidiary by non-controlling interests	4,000	–
Share issue expenses	(12,444)	(2,793)
Payment of lease liabilities	(531)	–
Redemption of ordinary shares	–	(6,233,020)
Net cash flows generated from/(used in) financing activities	(8,975)	(6,361,382)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	211,516	(6,225,735)
Effect of foreign exchange rate changes	15,042	(42,573)
Cash and cash equivalents at beginning of the period	1,330,951	7,103,000
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	1,557,509	834,692
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,557,509	834,692

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

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.

- Notes to Interim Condensed Consolidated Financial Information
30 June 2023

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(cont'd)*

- (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 recognise 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 Organisation 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.

- Notes to Interim Condensed Consolidated Financial Information
30 June 2023

4. REVENUE AND OTHER INCOME

Revenue

An analysis of revenue is as follows:

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

Revenue from contracts with customers

Disaggregated revenue information for revenue from contracts with customers

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

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)
Other income		
Government grants	7,747	1,522
Interest income	23,758	6,663
Others	1,799	10,682
	33,304	18,867

► Notes to Interim Condensed Consolidated Financial Information
30 June 2023

5. PROFIT BEFORE TAX

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

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

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

- Notes to Interim Condensed Consolidated Financial Information
30 June 2023

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)》) 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.

	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	109,560	75,850

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") 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.

- Notes to Interim Condensed Consolidated Financial Information
30 June 2023

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(cont'd)*

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

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary shares holders of the parent, used in the basic earnings per share calculation	666,940	311,042
Earnings attributable to preferred shares holders of the parent	–	126,201
	666,940	437,243
For the six months ended 30 June		
	2023	2022
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	995,000,000	685,335,118
Effect of dilution – weighted average number of ordinary shares:		
RSU Scheme	10,692,319	3,692,722
Convertible preferred shares	–	366,391,512
	1,005,692,319	1,055,419,352

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB111,910,000 (30 June 2022: RMB85,114,000).

Assets with a net book value of RMB2,421,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB2,855,000), resulting in a net loss on disposal of RMB2,371,000 (30 June 2022: RMB2,855,000).

► Notes to Interim Condensed Consolidated Financial Information
30 June 2023

10. TRADE AND BILLS RECEIVABLES

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

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

11. 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:

	30 June 2023 RMB'000 (Unaudited)	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
	73,398	54,653

12. SHARE CAPITAL

Ordinary share capital

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid 995,000,000 (2022: 995,000,000) ordinary shares of USD0.00001	63	63

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13. COMMITMENTS

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

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

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

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

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited)
Salaries, bonuses, allowances and benefits in kind	1,377	1,433
Pension scheme contributions	213	217
Equity-settled share award expense	7,595	5,941
	9,185	7,591

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2023 RMB'000	31 December 2022 RMB'000	30 June 2023 RMB'000	31 December 2022 RMB'000
Financial assets at fair value through profit or loss	1,223,551	865,973	1,223,551	865,973

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15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (cont'd)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss:				
Financial products	–	1,223,551	–	1,223,551

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss:				
Financial products	–	865,973	–	865,973

Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs that are significant to fair value measurement are observable, the instrument is included in Level 2. The fair value of the financial products is estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (Six months ended 30 June 2022: Nil).

DEFINITIONS

In this interim report, the capitalized terms shall have the meaning set out below unless the context requires otherwise.

“Board”	the board of Directors of our Company
“business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Company” or “our Company” or “the Company”	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 on 28 July 2021
“Director(s)”	director(s) of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering described in the Prospectus
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
“HK\$”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Listing”	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	4 November 2022, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange

 Definitions

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“PRC” or “China”	the People’s Republic of China. For the purposes of this interim report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus of the Company dated 20 October 2022
“Province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Reporting Period”	the six months ended 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme as approved by the Company on 8 December 2021
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

▶ Definitions

“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	the ordinary share(s) in the share capital of the Company with a par value of US\$0.00001 each
“Shareholder(s)”	the holder(s) of our Shares
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States