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GIANT BIOGENE HOLDING CO., LTD

巨子生物控股有限公司

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

(Stock code: 2367)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Changes
	2023	2022	
	<i>RMB million</i>	<i>RMB million</i>	
Revenue	3,524.1	2,364.4	49.0%
Gross profit	2,947.1	1,995.2	47.7%
Profit before tax	1,745.1	1,177.7	48.2%
Net profit	1,448.2	1,001.6	44.6%
Earnings attributable to the owners of parent company	1,451.8	1,002.0	44.9%
Adjusted net profit for the year (non-IFRS measure)	1,468.7	1,056.4	39.0%
Basic earnings per Share	1.49	0.99	50.5%
Diluted earnings per Share	1.48	0.98	51.0%

The Board proposed to distribute final dividends of RMB0.44 (tax inclusive) per ordinary share and proposed to distribute special dividends of RMB0.45 (tax inclusive) per ordinary share.

The board (the “**Board**”) of directors (the “**Directors**”) of Giant Biogene Holding Co., Ltd (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”) with the comparative figures for the corresponding period in 2022. The above annual results have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
REVENUE	4	3,524,143	2,364,445
Cost of sales		(577,006)	(369,205)
Gross profit		2,947,137	1,995,240
Selling and distribution expenses		(1,164,499)	(706,370)
Administrative expenses		(96,661)	(111,073)
Research and development costs		(74,968)	(44,043)
Other expense		(398)	(704)
Other income	4	102,963	68,712
Other gains or losses, net	5	30,927	(23,378)
Finance cost		(112)	(21)
Provision for impairment losses on financial assets, net		700	(614)
PROFIT BEFORE TAX	6	1,745,089	1,177,749
Income tax expense	7	(296,887)	(176,163)
PROFIT FOR THE YEAR		1,448,202	1,001,586
Attributable to:			
Owners of the parent		1,451,753	1,002,025
Non-controlling interests		(3,551)	(439)
		1,408,202	1,001,586
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,408,202	1,001,586
Attributable to:			
Owners of the parent:			
Ordinary shares holders of the parent		1,451,753	695,998
Preferred shares holders of the parent		–	306,027
Non-controlling interests		(3,551)	(439)
		1,408,202	1,001,586
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic (RMB yuan)		1.49	0.99
Diluted (RMB yuan)		1.48	0.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December	
		2023	2022
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		663,469	491,421
Other intangible assets		7,357	6,751
Right-of-use assets		48,155	60,233
Prepayments, other receivables and other assets, non-current	12	117,908	40,895
Deferred tax assets		1,110	1,190
Total non-current assets		837,999	600,490
CURRENT ASSETS			
Inventories	10	200,440	183,895
Trade and bills receivables	11	102,029	69,420
Prepayments, other receivables and other assets, current	12	53,835	87,496
Financial assets at fair value through profit or loss ("FVTPL")	13	1,274,776	865,973
Cash and cash equivalents	14	2,503,999	1,330,951
Total current assets		4,135,079	2,537,735
CURRENT LIABILITIES			
Trade payables	15	133,109	54,653
Other payables and accruals	16	241,966	136,399
Tax payable		116,720	75,020
Lease liabilities-current		1,563	881
Deferred income		1,503	1,503
Contract liabilities	17	35,751	12,449
Total current liabilities		530,612	280,905
NET CURRENT ASSETS		3,604,467	2,256,830
TOTAL ASSETS LESS CURRENT LIABILITIES		4,442,466	2,857,320

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities-non current	1,166	1,705
Deferred income	19,575	18,179
Deferred tax liabilities	50,675	403
	<hr/>	<hr/>
Total non-current liabilities	71,416	20,287
	<hr/>	<hr/>
Net assets	4,371,050	2,837,033
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Ordinary share capital	63	63
Treasury shares	(1)	(1)
Reserves	4,362,078	2,833,410
	<hr/>	<hr/>
	4,362,140	2,833,472
	<hr/>	<hr/>
Non-controlling interests	8,910	3,561
	<hr/>	<hr/>
Total equity	4,371,050	2,837,033
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NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

The Company is an investment holding company. During the year, the Company’s subsidiaries were principally engaged in the research, development, manufacture and sale of bioactive material-based beauty and health products in the People’s Republic of China (the “**PRC**”).

2. ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), (which include all IFRSs, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (the “**IASB**”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS 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 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

- (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 IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any financial impact on the or performance of the Group.
- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organization for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities’ exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. 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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ¹
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2020 Amendments”)</i> ¹
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to IAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

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

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022 is set out below:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	<u>N/A*</u>	<u>416,827</u>

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the year.

4. REVENUE AND OTHER INCOME

Revenue

An analysis of revenue is as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers	<u>3,524,143</u>	<u>2,364,445</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Type of goods or services		
Sale of goods	<u>3,524,143</u>	<u>2,364,445</u>
Geographical market		
Chinese Mainland	<u>3,524,143</u>	<u>2,364,445</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>3,524,143</u>	<u>2,364,445</u>

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	<u>12,449</u>	<u>16,278</u>

(b) *Performance obligations*

Information about the Group's performance obligations is summarized below:

Sale of goods

The performance obligation is satisfied upon control of the asset is transferred to the customer, generally on customers' acceptance of the products upon delivery, or upon customers' online confirmation. Payment is generally made before goods delivery, except for certain customers where payment is due within 7 days but not later than the end of the month, or within 7 days to 180 days from goods delivery.

Other income

An analysis of other income is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Other income		
Government grants*	53,864	44,871
Interest income	47,491	13,159
Others	1,608	10,682
	<u>102,963</u>	<u>68,712</u>

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

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

5. OTHER GAINS OR LOSSES, NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Foreign exchange gains/(losses), net	1,091	(14,446)
Fair value gains/(losses) on financial assets at FVTPL	29,329	(8,281)
Others	507	(651)
	<u>30,927</u>	<u>(23,378)</u>

6. PROFIT BEFORE TAX

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

	<i>Notes</i>	Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Cost of inventories, consumables and customized products		431,034	264,463
Depreciation of property, plant and equipment		30,572	24,008
Depreciation of investment properties		–	479
Depreciation of right-of-use assets		2,076	1,708
Amortization of intangible assets		1,527	1,433
Reversal of for impairment of trade and bills receivables		(27)	(145)
(Reversal of)/Provision for impairment of prepayments, other receivables and other assets		(673)	759
Government grants	4	(53,864)	(44,871)
Marketing and promotion expenses		1,093,862	672,309
Bank interest income	4	(47,491)	(13,159)
Foreign exchange (gains)/losses, net	5	(1,091)	14,446
Provision for/(Reversal of) impairment of inventories		1,221	(145)
Employee benefit expenses (including directors' and chief executive's remuneration):			
– Wages, salaries and allowances		115,492	75,777
– Pension scheme contributions, social welfare and other welfare		26,286	18,264
– Equity-settled share award expense		20,517	17,663
Other outsourcing labor costs		12,917	7,725
Auditor's remuneration		2,300	2,000
Listing expenses		–	37,111

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:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Administrative expenses	16,100	13,982
Research and development costs	2,411	2,136
Selling and distribution expenses	1,253	843
Cost of sales	753	702
	20,517	17,663

7. INCOME TAX

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

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

Hong Kong profits tax has been provided at a rate of 16.5% (2022:16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

Certain subsidiaries were entitled to a preferential company income tax rate of 15% during the year based on the revised version of Guidance Catalogue for Adjustment of Industrial Structure (2011 edition) (《產業結構調整指導目錄(2011年本)》) applicable in 2023 and 2022 issued by the National Development and Reform Commission which was related to the approval given to selected entities to enjoy the preferential tax rate in the Western Development.

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current tax: Charge for the year	246,535	176,369
Deferred tax	50,352	(206)
Total tax charge for the year	<u>296,887</u>	<u>176,163</u>

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before tax	<u>1,745,089</u>	<u>1,177,749</u>
Tax at the applicable tax rate of 25%	436,272	294,437
Effect of preferential tax rates of some subsidiaries	(177,158)	(114,999)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	44,028	–
Expenses not deductible for tax	2,963	2,790
Tax losses utilised from previous periods	(930)	–
Tax losses not recognized	954	471
Additional deductible allowance for research and development expenses	(9,242)	(6,536)
Tax charge at the Group's effective rate	<u>296,887</u>	<u>176,163</u>

8. DIVIDENDS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Proposed final dividends – RMB0.44 (2022: Nil) per ordinary share	436,540	–
Proposed special dividends – RMB0.45 (2022: Nil) per ordinary share	444,010	–
	<u>880,550</u>	<u>–</u>

The proposed final dividends and proposed special dividends for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent for the year ended and the weighted average number of ordinary shares of 976,278,058 (2022: 703,129,563) which assumed to be in issue after taking into account the retrospective adjustment of the share subdivision.

The calculation of the diluted earnings per share amounts in 2022 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the earning attributable to preferred shareholders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary share assumed to have been issued at no consideration on the deemed vest of shares under the RSU Scheme, as well as on the conversion of Series A preferred shares.

The calculation of the diluted earnings per share amounts in 2023 is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed vest of shares under the RSU Scheme. The diluted earnings per share for the year ended 31 December 2023 did not assume the exercise of 2023 Share Option Scheme as its inclusion would be anti-dilutive.

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary shares holders of the parent, used in the basic earnings per share calculation	1,451,753	695,998
Earning attributable to preferred shares holders of the parent	–	306,027
	<u>1,451,753</u>	<u>1,002,025</u>

	Year ended 31 December	
	2023	2022
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	976,278,058	703,129,563
Effect of dilution – weighted average number of ordinary shares:		
RSU Scheme	6,438,857	7,344,692
Convertible preferred shares	–	310,740,362
	<u>982,716,915</u>	<u>1,021,214,617</u>

10. INVENTORIES

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	49,850	71,989
Finished goods	150,590	111,906
	<u>200,440</u>	<u>183,895</u>

11. TRADE AND BILLS RECEIVABLES

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	81,690	56,247
Bills receivable	20,911	13,772
Impairment	(572)	(599)
	<u>102,029</u>	<u>69,420</u>

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

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

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

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	101,545	67,879
Over one year and within two years	100	1,146
Over two years and within three years	129	268
Over three years	255	127
	<u>102,029</u>	<u>69,420</u>

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:		
Prepayment of property, plant and equipment	<u>117,908</u>	<u>40,895</u>
Current:		
Prepayments	29,248	63,245
Deposits and other receivables	11,030	21,312
Value-added tax recoverable	14,545	4,600
	<u>(988)</u>	<u>(1,661)</u>
Impairment allowance	<u>53,835</u>	<u>87,496</u>

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

13. FINANCIAL ASSETS AT FVTPL

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Financial products	<u>1,274,776</u>	<u>865,973</u>

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

14. CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cash and cash equivalents	2,503,999	1,330,951
Denominated in:		
RMB	1,891,140	771,681
HKD	1	552,526
USD	612,858	6,744

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB1,891,140,000 (2022: RMB771,681,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

15. TRADE PAYABLES

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Within one year	126,432	53,072
Over one year and within two years	5,663	807
Over two years	1,014	774
	133,109	54,653

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

16. OTHER PAYABLES AND ACCRUALS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	124,489	40,942
Deposits and other payables	76,758	48,734
Payroll payable	34,016	23,035
Other tax payable	6,703	5,460
Accrued listing expenses	–	18,228
	241,966	136,399

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

17. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Advances received from customers		
Sales of products		
Current	<u>35,751</u>	<u>12,449</u>

18. COMMITMENTS

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

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Buildings	349,281	262,198
Plant and machinery	<u>140,942</u>	<u>73,365</u>
	<u>490,223</u>	<u>335,563</u>

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

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Capital contribution to an associate	<u>16,000</u>	<u>16,000</u>
	<u>16,000</u>	<u>16,000</u>

I. BUSINESS REVIEW

We are a leader in bioactive ingredient-based professional skin treatment product industry in China. In 2023, in the midst of a challenging macro and industrial environment, we adhered to our mission of “Biotechnology to Empower Beauty and Health”, and continuously strengthened our competitive edges on research and development, promoted the implementation of industry standards, focused on constantly launching more high-quality products to consumers, strengthened our brand awareness among a wider public, established a professional and reliable brand image, and reinforced our omni-channel layout and enhanced our refined operation. Thank to these efforts, we managed to achieve healthy corporate growth and made contribution to the high-quality development of recombinant collagen industry.

During the Reporting Period, our sales revenue amounted to RMB3,524.1 million, representing an increase of 49.0% compared to that of 2022, and our profit for the year amounted to RMB1,448.2 million, representing an increase of 44.6% compared to that of 2022.

Focusing on Research and Development and Taking an Initiating Role in Formulating Industry Standards to Lead Standardized Development of the Industry

Scientific research is the foundation of our business development. Through constant investment in the basic and applied research, we are able to continuously enrich our knowledge and technological reserves, cultivate and incubate new raw materials, new series and new products, bringing more satisfactory experience to the customers and strengthening our leading position in the industry. During the Reporting Period, our research and development expenditure was RMB75.0 million, representing a year-on-year increase of 70.5%. Research and development expenditure accounted for 2.1% of our revenue, representing a year-on-year increase of 0.2 percentage points.

As of the end of the Reporting Period, we had 93 authorized patents and patent applications, of which 13 were newly added during the Reporting Period. Our recombinant collagen molecule library contained over 40 kinds of collagen molecule, allowing us to maintain our leadership in the industry. As of the end of the Reporting Period, we had over 100 projects under research. During the Reporting Period, we advanced four research and development projects and registrations of recombinant collagen skin rejuvenation products successfully.

During the Reporting Period, we launched various self-developed raw materials or raw material combinations. The rare ginsenoside CK monomer has the evident efficacy of oil control, anti-inflammatory and acne treatment by efficiently regulating the expression of anti-inflammatory gene. Comfy Regular Series (可復美秩序系列), which used the rare ginsenoside CK monomer as its core ingredient, has received positive feedback from the customers since its launch. Proprietary Juganyuan (巨昔源) raw material combinations can achieve the repair of key skin protein such as collagen and elastine, which play a role in the efficacy of mitigating skin redness and soothing in our products such as Comfy Collagen Emulsion.

We are not only at the forefront of the research of recombinant collagen, but also actively participate in the drafting and formulating of the industry standards and group standards from differences aspects, leading the industry to healthy, scientific, standardized and high-quality development. In April 2023, the group standard “Recombinant Collagen Raw Materials for Cosmetics” (《化妝品用重組膠原蛋白原料》) formulated under our lead was formally published. This is the first group standard for recombinant collagen in the cosmetics industry in China. In September 2023, two group standards “Test Method for Determination of Collagen Secreted from Human Cells Induced by Recombinant Collagen” (《重組膠原蛋白促人源細胞膠原蛋白分泌測定方法》) and “Test Method for Absorption of Recombinant Collagen through the Skin” (《重組膠原蛋白透皮吸收測定方法》), both formulated under our lead, were formally published, which set out the basis for the standards and a guideline for the methodology for evaluating the biological functions of recombinant collagen, and solved the lack of testing methodology in that regard.

Enriching the Product Series and Matrix, with Star Product Well Received and Recognized by Consumers Continuously

There are lots of emerging and existing brands in the keenly-competitive skincare industry. In the era of information equality, consumers are becoming more and more rational and returning to the concept of quality-first when making decisions, and preference will be given to products with merits, high efficacy and good quality, which will ultimately bring repeat purchase and enhance brand quality. We always pursue a high standard in the production stage, striving to create extraordinary experience for the customers while winning the recognition and trust from them and standing out amidst the industry. Meanwhile, we have accelerated the pace of launching new products, and diversified the series and product matrix of the brands on top of our original product series so as to offer more comprehensive and diversified selections to consumers, expand users scenarios and users base, extend the user consumption cycle, and enhance the intrinsic value of our brands, thereby laying a solid foundation for the long-term and healthy development of our business. As of the end of the Reporting Period, we had over 100 SKUs.

With the brand position of “Skin problems, find Comfy (肌膚有問題，就找可復美)”, Comfy provides comprehensive and high-quality solutions for various skin problems. By implementing the strategy of “synergy of cosmetics and medical device”, our star product Comfy Recombinant Collagen Dressing (“**Collagen Dressings**”) of the medical device series has continued to gain popularity among consumers across online and offline channels since its launch in 2011. In the 618 shopping festival (“**618 Shopping Festival**”) and the Singles Day shopping festival (“**Singles Day Shopping Festival**”) in 2023, the Collagen Dressings once again ranked No. 1 in Tmall’s Wound Dressing Category and ranked No. 1 in JD.com’s Medical Beauty Care Category during the Reporting Period.

Comfy Collagen Repair Series is designed to provide repair and soothing solutions for people with sensitive skin, weak skin barriers, redness and dryness. Since its launch at the end of 2021, 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)) has gradually grown into a star product on the strength of its excellent product quality, and has steadily boosted its reputation and sales. During the Reporting Period, Collagen Stick was listed in the “Repair Essence of the Year (年度修護精華)” by China’s Top Formula (中國好配方), and was listed in the “Enjoyable Skincare List (Essence List) (悅享護膚榜(精華榜))” and the “Light of Domestic Goods List (國貨之光榜)” of the Beauty Evolution 2023. During the 618 Shopping Festival in 2023, the gross merchandise volume (GMV) of Collagen Stick increased by over 700% year-on-year, and it ranked No. 1 on Douyin’s Annual Essence Bestseller List (年度精華金榜) and No. 1 in JD.com’s home care category; during the Singles Day Shopping Festival, the GMV of Collagen Stick achieved growth of over 200% year-on-year, and it ranked No. 1 in Tmall’s facial essence category, No. 1 on JD.com’s home care product, and No. 1 in Douyin’s Single-use Essence Praise List (品牌次拋精華好評榜).

In 2023, Collagen Repair Series launched two new flagship products: Comfy Collagen Emulsion, which utilizes the proprietary C5HR recombinant collagen bionic combination to optimize the double bionic barrier repair system, strengthens the skin elasticity and helps to build a skin protection system from skin surface to inner dermal layers; and Comfy Collagen Soothing Mask, which utilizes the proprietary C5HS recombinant collagen bionic combination to quickly fade redness and soothe the skin. During the Reporting Period, Collagen Emulsion ranked No. 1 on Tmall’s March-April Emulsion New Product List (乳液新品榜), among TOP 3 on Tmall’s August-September Repair Emulsion Praise List (修護乳液好評榜) and among TOP 3 on Tmall’s Repair Emulsion Top Seller List (修護乳液熱銷榜). During the Singles Day Shopping Festival in 2023, Collagen Emulsion ranked No. 1 on Douyin’s Repair Essence Emulsion Praise List (修護精粹乳好評榜), and among TOP 8 on Douyin’s Top Selling Facial Cream Gold List in Domestic Products Category (面霜熱賣金榜國貨); Collagen Soothing Mask ranked Douyin’s Top 100 Beauty Power Goods Gold List – House Beauty Salon 2023 Gold List of Products (百大美力好物金榜–宅家美容院2023金榜單品).

During the Reporting Period, the product series of Comfy was further enriched. A new series “Regular Series” was launched under the Comfy Acne Clearing and Cleansing Series, which, with the core ingredient of the proprietary rare ginsenoside CK, was specially developed for people with oily, acne-prone and sensitive skin, helping to balance their skin’s oil and water and reset the skin’s inner balance. The Regular toners, emulsions and creams, the Regular essence and the Regular single-use products under the new series, which were developed based on the causes for oily, acne-prone and sensitive skin, target to solve such problems in different treatment cycles. These reflect our determination to provide the best solution for oily skin. During the Reporting Period, revenue achieved by Comfy amounted to RMB2,788.3 million, representing an increase of 72.9% as compared to that for the same period in 2022.

By establishing the brand position of “Proprietary Recombinant Collagen Anti-Aging”, the proprietary recombinant collagen C5HA bionic combination was used in Collgene which is specially developed to bring a gleeful experience of anti-ageing and rejuvenation to our customers. Since the core collection of Collgene LIFTACTIV Tightening relaunched in 2022, its star products such as Pengpeng Single-Use and Collagen Mask King continued to gain popularity among our customers, and the collagen anti-wrinkle brand has gradually left an indelible impression on the hearts of them. During the Reporting Period, Pengpeng Single-Use was awarded the Golden Product Award 2022 – Most Promising Award. During the 618 Shopping Festival in 2023, Pengpeng Single-Use ranked among TOP 8 on JD.com’s Facial Essence Bestseller List (修護面部精華榜), and among TOP 10 on Tmall’s Firming Liquid Essence Hot-selling List (緊致液態精華熱賣榜); during the Singles Day Shopping Festival, Pengpeng Single-Use ranked among TOP 6 on Douyin’s Single-Use Essence Popularity List (抖音品牌次拋精華液人氣榜); Collagen Mask King ranked No. 1 on JD.com’s Age-Defying Mask List (駐齡面膜榜), among TOP 4 on Douyin’s Brand Anti-Wrinkle Mask Well Received List in Domestic Goods Category (品牌抗皺面膜好評榜國貨), and among TOP 7 on Tmall’s Smear Mask Hot-selling List in Domestic Goods Category (塗抹面膜熱銷榜).

During the Reporting Period, the product portfolio of Collgene LIFTACTIV series continued to be enriched, with the launch of Age-care Cream (保齡霜) (Refreshing version) and Collagen Mask King (大膜王) (Refreshing version) which balance soft skin feel and anti-wrinkle efficacies and bring better skin conditions and user experience to our customers. In December 2023, a new product, Collgene Recombinant Collagen Revitalizing Lift Firming and Fine Lines Essence Eye Cream (“**Film Eye Cream**”), was launched under Collgene, which conducted an advanced research on quadruple recombinant collagen bionic combination Plus 3D formulation system to provide an all-rounded solution for core aging issues such as ptosis, wrinkles, dark circles, puffiness, and dryness eyes, and completely repair the eye contour area, remove wrinkles and boost elasticity and firmness in the eye contour area in two weeks, offering a new choice for the consumers who want to weaken the signs of aging around the eye contour area.

In addition to updating and iterating on key products of Collgene, we have optimized and adjusted our channel structure, strengthened expansion and investment in public domain channels. In the future, we will continue to focus on establishing mindshare of Collgene among a wider consumer base. During the Reporting Period, revenue generated from Collgene amounted to RMB616.6 million, remaining stable compared to that for the same period in 2022.

Establishing a Professional and Reliable Brand Image through Communication with Scientific Proof and Mass Advertising

As a leading corporation in the field of recombinant collagen, we are committed to promoting scientific technology and primary ingredient, promoting the development of the basic and application research in the industry, establishing a scientific image for the corporation and its brand with professionalism and stringency. During the Reporting Period, we organized the first Info Session of Recombinant Collagen, Pharmaceutical Industry Standards of China (中國醫藥行業標準《重組膠原蛋白》) with 6 information exchange forums held in Beijing, Shanghai, Shenzhen, Zhengzhou, Chongqing and Chengdu, at which experts and scholars fully exchanged and shared the results of their research and application of recombinant collagen, and set out a direction for scientific, standardized and refined development of the recombinant collagen industry. We together with our brands participated in the 2023 Mevos International Congress of Aesthetic Surgery and Medicine (美沃斯國際醫學美容大會) in May 2023, the 28th Annual Meeting of Chinese Society of Dermatology (CSD) (中華醫學會第二十八次全國皮膚性病學術年會) in July, China Health Ecology Organization (西普會－健康產業(國際)生態大會) in August, the 2023 AMWC China of Aesthetic & Anti-Aging Medicine World Congress (AMWC China世界美容抗衰老大會) in October, and the 18th Annual Meeting of China Dermatologist Association & National Congress of Cosmetic Dermatology (CDA) (第十八屆中國醫師協會皮膚科醫師年會暨全國美容皮膚科大會) in December, aiming to make contribution to the in-depth development of the aesthetic medicine industry.

With the continuous expansion of our customer base and the brand portfolio, we put more efforts on the promotion of our brands in mass media. Adhering to the brand positioning of “Technology-based Beauty”, we stuck to the ECE brand idea, being “Evidence-Content-Engagement”, in mass advertising, emphasized the communication of science and the completeness of logic analysis, and were devoted to communicate with consumers in a bona fide, sincere and scientific manner to facilitate the transmission of the information about our products and brand image to them. In February 2023, Comfy and Collgene cooperated with CCTV and other platforms to launch the “New Force of Chinese Products” (《國貨新勢力》), which demonstrated the strength of technology and innovation of China brands. In May 2023, the Company released a feature film entitled “Ingredient China” (《成分中國》), which narrates a story about how scientists in China broke the monopoly of science and technology and brought the China-developed ingredient of recombinant collagen to the world stage, which has recorded a total of more than 500 million viewers on all platforms. In December 2023, a major release of the results of the empirical scientific research on C5HA recombinant collagen bionic combination was made by us. We were the first in the industry to use the new technology of Confocal laser scanning microscope and two-photon excitation to show the results of skin testing of C5HA recombinant collagen raw materials with two-photon 3D dynamic model, and visually verify its transdermal absorption and its ability to promote the generation of collagen, addressing the cognitive pain point of the industry and the consumers directly.

Expanding Our Online and Offline Layout and Improving Refined Operation Capability

Our uniqueness and competitive edges lie in our omni-channel layout and operation mode of professional medical care + mass consumption covered by offline and online channels. During the Reporting Period, we further broadened and deepened our channel coverage in order to expand our consumer reach and achieve a wider and more multi-dimensional scenario coverage to attract new users; and we enhanced our refined operation capability to strengthen our interaction with the consumers, improve consumer experience, increase user retention, activity and conversion, and achieve more repeat purchase and higher value across the entire life cycle.

In offline scenarios, we continued to strengthen our existing competitive edges on specialty hospitals, while rapidly advancing our coverage on mass markets such as pharmacies and CS/KA. During the Reporting Period, we held more than 1,000 training and information exchange activities for hospitals and pharmacies, including academic conferences, departmental training and salon meetings, to share information on, among others, market demand, product application and new product research and development in face-to-face interaction. We also held regular meetings for, and organized in-depth information exchange with, the distributors to gain an understanding on the market and customer needs and solve problems in a timely manner for a stable and sound development of the channel. As of the end of the Reporting Period, our products were sold through offline direct sales and distributors channels to approximately 1,500 public hospitals, approximately 2,500 private hospitals and clinics, approximately

650 pharmacy chain brands and about 6,000 CS/KA stores in China. In addition, we increased the number of our offline sale counters during the Reporting Period. In November 2023, the first offline standard outlet of Comfy in the PRC was officially opened in Xi'an Wangfujing Department Store. The outlet was designed to create a unique space with a sense of technology and remarkable aesthetics to satisfy more diversified skincare needs of consumers. From May to December 2023, three Collgene franchised stores were opened in Xi'an Seg International Shopping Center and other commercial complexes, expanding the offline presence of Collgene and enhance our interaction with the consumers.

We also engage in sales and promotions through e-commerce and social media platforms such as Tmall, Douyin, JD.com, Xiaohongshu, Vipshop and Pinduoduo. During the Reporting Period, we continued to optimize our operation capability in each of e-commerce platforms. On Tmall, we are committed to building brand awareness high ground and achieving brand exposure and awareness in more scenes and among a wider range of consumers; and we have also strengthened our operational efficiency by setting up a membership system with Tmall to increase repeat purchases from regular customers. On Douyin, we have made full effort in the field of webcast and leveraged its activity scenarios, such as self-made festival events, to enrich our online contents, optimize the supply of our products and promote sales with the online contents, which eventually improved the conversion rate and average revenue per customer, and at the same time, we focused on the construction of a multi-level platform with the influencers and had initially built a healthier and higher quality cooperation ecosystem with them. On JD.com, we reached more high-net-worth consumer groups and attracted more quality customers through the operation of the PLUS membership system. All major e-commerce channels achieved faster growth during the Reporting Period, with the online omni-channel GMV growth rates of Comfy and Collgene exceeding 165% and 70% respectively during the 618 Shopping Festival, and exceeding 100% and 50% respectively during the Singles Day Shopping Festival, recording a promising growth.

During the Reporting Period, our direct sales channels generated revenue of RMB2,420.5 million, accounting for 68.7% of our revenue; and the distribution channels generated revenue of RMB1,103.6 million, accounting for 31.3% of our revenue. Contribution of revenue from direct sales increased by 9.4 percentage points year on year.

Steadily Expanding Production and Building Quality Benchmark

We have always insisted on self-production of core raw materials and end products. To ensure stable production and to constantly meet consumers' demands, we have expanded our production capacity as planned. During the Reporting Period, the fermentation workshop for recombinant collagen was successfully expanded and put into production with two more recombinant collagen production lines. In addition, we added four cosmetics product lines and two medical device lines. During the Reporting Period, we continued our construction of a new medical device factory and a new health product factory, which would lay a solid foundation for the Company to expand its business lines and realize high-quality development in the long run.

We have always regarded product quality and safety as one of the cornerstones for our corporate development. In October 2023, we were awarded honorary titles including National Quality Integrity Benchmark Enterprise (全國質量誠信標杆企業), National Quality Leader in Recombinant Collagen Industry (全國重組膠原蛋白行業質量領先企業), National Product and Service Quality Integrity Enterprise (全國產品和服務質量誠信品牌) and Reliable Products for National Quality Inspection (全國質量檢驗信得過產品), and have set ourselves up as a role model of quality and integrity in the industry. Furthermore, the Company was awarded the honorary title of “Green Factory of Shaanxi Province (陝西省綠色工廠)”, which marked our outstanding achievement in green manufacturing and sustainable development.

Actively Shouldering Corporate Social Responsibility

With our grand vision in mind, we are committed to establishing ourselves as an enterprise with kindness and warmth by offering support and care to more underprivileged communities so as to promote the development of social charity and education cause. In March 2023, we organized the Guardian of Educators – Women’s Day Activity (守護教育工作者·三八節暖春愛心行動), through which thank-you gifts worth of more than RMB10 million donated by the Company were given to nearly 20,000 teaching professionals through Shaanxi Provincial Charity Federation. In May 2023, we continued to support the large-scale charity free clinic event during the National Skincare Day on May 25 for the eighth consecutive year, during which we organized free clinic for the public with the support of dermatologists and donated soothing gifts to promote the concept of scientific and rational skincare. In September 2023, we held the Teachers’ Day Public Welfare Activity (用愛心之力，護教育之星), in which we donated products worth of more than RMB3 million to Northwest University through the Northwest University Jubilee Educational Development Foundation of Shaanxi(陝西西北大學朱雀教育發展基金會) to contribute to the development of the education cause.

II. BUSINESS OUTLOOK

Looking forward to 2024, we will continue to make more investment in research and development, drive ourselves to achieve more breakthroughs in basic technologies, develop new raw materials and launch new products to enrich our product portfolio. We will continue to perform clinical testing and submit the results for examination and approval for skin rejuvenation products for Class III medical devices, so as to lay a solid foundation for the enterprise’s multilevel growth. We will further invest in and focus on brand marketing, strive to achieve wider brand exposure while increasing our sales volume, and are committed to promote a long-term and healthy development of the industry. We will also continue to improve the efficiency of our omni-channel operations, especially the refined operation of e-commerce. Against the backdrop of sluggish sentiment in the broader market, we will make efforts in engaging consumer gathering and scenario building to create a healthier and more sustainable growth model. In an increasingly competitive market, we will always bear in mind our original aspiration, seize the emerging opportunities, and firmly stride forward along the development path that suits us, so as to bring more beauty and health experience to the consumers.

III. OPERATING RESULTS

Revenue

For the year ended 31 December 2023, our total revenue was RMB3,524.1 million, representing an increase of 49.0% from total revenue of RMB2,364.4 million for the year ended 31 December 2022. Such increase was primarily due to our continued expansion of product types, extensive development of online channels and creation 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 years indicated:

	For the year ended 31 December			
	2023		2022	
	Amount	%	Amount	%
	<i>(RMB in millions other than percentages)</i>			
Professional skin treatment products				
– functional skincare products	2,647.3	75.1	1,561.6	66.0
– medical dressings	860.8	24.4	760.1	32.2
Functional foods and others	<u>16.0</u>	<u>0.5</u>	<u>42.7</u>	<u>1.8</u>
Total	<u>3,524.1</u>	<u>100.0</u>	<u>2,364.4</u>	<u>100.0</u>

Our overall growth in revenue was primarily driven by the growth of sales 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 stable growth of best-selling classic products and rapid growth of star products.

(ii) *Revenue by Sales Channel*

During the Reporting Period, we sold our products through direct sales and sales to our distributors. We directly sold products to (i) consumers through direct-to-customer (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 also sell and distribute our products to individual consumers, hospitals, clinics, pharmacy chains, cosmetic store chains and supermarket chains by engaging 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 years indicated:

	For the year ended 31 December			
	2023		2022	
	Amount	%	Amount	%
	<i>(RMB in millions other than percentages)</i>			
Direct sales				
– Online direct sales through our DTC stores	2,154.5	61.2	1,213.9	51.3
– Online direct sales to e-commerce platforms	177.5	5.0	124.5	5.3
– Offline direct sales	88.5	2.5	63.4	2.7
Subtotal	<u>2,420.5</u>	<u>68.7</u>	<u>1,401.8</u>	<u>59.3</u>
Sales to distributors	<u>1,103.6</u>	<u>31.3</u>	<u>962.6</u>	<u>40.7</u>
Total	<u>3,524.1</u>	<u>100.0</u>	<u>2,364.4</u>	<u>100.0</u>

Direct sales

Online direct sales through our DTC stores

During the Reporting Period, revenue from online direct sales through our DTC stores amounted to RMB2,154.5 million, representing an increase of 77.5% as compared to 2022 and accounting for 61.2% of total revenue in 2023. Such increase was due to (1) our continuous strengthening of online multi-platform layout and refined operation, which achieved a fast revenue growth on e-commerce platforms such as Tmall and Douyin; (2) rapid increase in 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), contributing to rapid revenue growth; and (3) enhanced brand recognition and affection by brand marketing and promotion to drive the growth of sales and revenue.

Online direct sales to e-commerce platforms

During the Reporting Period, revenue from online direct sales to e-commerce platforms amounted to RMB177.5 million, representing an increase of 42.7% as compared to 2022 and accounting for 5.0% of total revenue in 2023. Such increase was due to continued optimization of platform marketing strategies and product mix, which drove the growth of sales and revenue.

Offline direct sales

During the Reporting Period, revenue from offline direct sales amounted to RMB88.5 million, representing an increase of 39.6% as compared to 2022 and accounting for 2.5% of total revenue in 2023. Such increase was due to our continued expansion of number 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 RMB1,103.6 million, representing an increase of 14.6% as compared to 2022, showing a stable year-on-year increase and accounting for 31.3% of total revenue in 2023.

(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 years indicated:

	For the year ended 31 December			
	2023		2022	
	Amount	%	Amount	%
	<i>(RMB in millions other than percentages)</i>			
Professional skin treatment products				
– Comfy	2,788.3	79.1	1,613.0	68.2
– Collgene	616.6	17.5	618.4	26.2
– Other brands	103.2	2.9	90.3	3.8
Functional foods and others	16.0	0.5	42.7	1.8
Total	3,524.1	100.0	2,364.4	100.0

Professional skin treatment products

Comfy

During the Reporting Period, the sales revenue from Comfy amounted to RMB2,788.3 million, representing an increase of 72.9% as compared to 2022 and accounting for 79.1% of our total revenue in 2023. Such increase was due to (1) our continued expansion of online and offline sales channels and optimization of marketing strategies, which further enhanced our brand influence; and (2) continued expansion of essence, emulsion, facial mask 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 Recombinant Collagen Repair Essence Emulsion (可復美重組膠原蛋白肌禦賦活修護精粹乳), Comfy Recombinant Collagen Repair Patch (可復美重組膠原蛋白修護貼), contributing to increase in revenue.

Collgene

During the Reporting Period, the sales revenue from Collgene amounted to RMB616.6 million, remaining relatively stable as compared to 2022 and accounting for 17.5% of total revenue in 2023.

Other Brands

During the Reporting Period, the sales revenue from other brands amounted to RMB103.2 million, representing an increase of 14.2% as compared to 2022, showing a stable year-on-year growth and accounting for 2.9% of total revenue in 2023. Such increase was due to the growth in revenue of products from other brands such as Ke Yu (可預).

Functional foods and others

During the Reporting Period, the sales revenue from functional foods and others amounted to RMB16.0 million, representing a decrease of 62.4% as compared to 2022 and accounting for 0.5% of total revenue in 2023. Such decrease was mainly due to the adjustments to channel and promotion strategy of functional food.

Cost of sales

For the year ended 31 December 2023, cost of sales was RMB577.0 million, representing an increase of 56.3% from RMB369.2 million for the year ended 31 December 2022. The increase is mainly due to (1) an increase in total costs of materials from RMB264.5 million in 2022 to RMB431.0 million in 2023; (2) a corresponding increase in logistics costs; (3) increases in manufacturing costs and labor costs directly caused by the purchasing of new equipment and increase in number of frontline staff to cope with the expansion of production scale, which were all resulted from the increase in sales of products.

Gross profit and gross profit margin

For the year ended 31 December 2023, gross profit amounted to RMB2,947.1 million, representing an increase of 47.7% from RMB1,995.2 million for the year ended 31 December 2022, mainly due to the increase in sales revenue.

Gross profit margin decreased from 84.4% for the year ended 31 December 2022 to 83.6% for the year ended 31 December 2023, mainly due to the increase in costs of sales and the expansion of product types.

Selling and distribution expenses

For the year ended 31 December 2023, selling and distribution expenses amounted to RMB1,164.5 million, representing an increase of 64.8% from RMB706.4 million for the year ended 31 December 2022. Such increase was mainly due to the increase in online marketing expenses in relation to the rapid expansion of online direct sales channels.

Research and development costs

For the year ended 31 December 2023, research and development costs amounted to RMB75.0 million, representing an increase of 70.5% from RMB44.0 million for the year ended 31 December 2022, and accounting for 2.1% and 1.9% of our revenue in 2023 and 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 the number of research and development personnel.

Other income

For the year ended 31 December 2023, other income amounted to RMB103.0 million, representing an increase of 49.9% from RMB68.7 million for the year ended 31 December 2022. Such increase was mainly attributable to government grants received and increase in interest income.

Other gains or losses, net

For the year ended 31 December 2023, other net gains amounted to RMB30.9 million, while other net losses for the year ended 31 December 2022 amounted to RMB23.4 million. Such gain was mainly attributable to fair value gains on financial assets at FVTPL.

Administrative expenses

For the year ended 31 December 2023, administrative expenses amounted to RMB96.7 million, representing a decrease of 13.0% from RMB111.1 million for the year ended 31 December 2022, which was mainly due to the decrease in listing expenses.

Income tax expense

For the year ended 31 December 2023, income tax expense amounted to RMB296.9 million, representing an increase of 68.5% from RMB176.2 million for the year ended 31 December 2022, mainly due to the increase in our taxable revenue.

Profit for the year

As a result of the foregoing, for the year ended 31 December 2023, profit for the year amounted to RMB1,448.2 million, representing an increase of 44.6% from RMB1,001.6 million for the year ended 31 December 2022.

Basic and diluted earnings per share

For the year ended 31 December 2023, the basic earnings per share amounted to RMB1.49, representing an increase of 50.5% from RMB0.99 for the year ended 31 December 2022. For the year ended 31 December 2023, diluted earnings per share amounted to RMB1.48, representing an increase of 51.0% from RMB0.98 for the year ended 31 December 2022. The increase in basic and diluted earnings per share was mainly due to the increase in profit for the year.

Gearing ratio

Gearing ratio represents the percentage of interest-bearing borrowings to total equity. As of 31 December 2023, we did not have any outstanding bank loans or other borrowings. As a result, gearing ratio was not applicable as of 31 December 2023.

INTEREST EXPENSE OF BANK AND OTHER BORROWINGS

As of 31 December 2023, the Group had no bank and other borrowings, and incurred 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 31 December 2023, the Group did not pledge any assets.

MATERIAL INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

For the year ended 31 December 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 31 December 2023, wealth management products held by the Group with a value of 5% or more of the Group's total assets as at 31 December 2023 are set out as follows:

Counterparty	Product type	Principal	Unrealized	Fair value	Fair value	Assets ratio ¹
		amount as of	gain or loss for	change as of	as of	
		31 December	31 December	31 December	31 December	
		2023	2023	2023	2023	
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	
CMB Wealth Management Co., Ltd.	Fixed return products	2,250	0	0	2,250	0.05%
	Wealth management plan with non-guaranteed principal and floating return	322,750	5,455	5,455	328,205	6.60%
Bank of Xi'an Co., Ltd.	Wealth management plan with non-guaranteed principal and floating return	309,473	11,959	12,523	321,996	6.47%
Chang'an Bank Co., Ltd.	Wealth management plan with non-guaranteed principal and floating return	310,000	13,651	11,712	321,712	6.47%

Note:

1. The assets ratios set out in this table are computed by dividing the fair value of the relevant products as at 31 December 2023 by the total assets of the Company as at 31 December 2023.

During the Reporting Period, the Company's subscriptions of wealth management products from financial institutions have complied with the disclosure requirements under Chapter 14 of the Listing Rules. For details, please refer to the Company's announcement dated 8 June 2023. Save as disclosed above, for the year ended 31 December 2023, the Group had no material investments with a value of 5% or more of the Group's total assets as of 31 December 2023 (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 31 December 2023), nor had any material acquisitions or disposals of subsidiaries, associates and joint ventures. The subscription of the wealth management products above was conducted without application of the Company's proceeds from the initial public offering.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group had no specific plan for material investments and purchase of capital assets as of 31 December 2023.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2023, our liquidity amounted to RMB2,504.0 million, which consisted of cash and cash equivalents, representing an increase of 88.1% from RMB1,331.0 million for the year ended 31 December 2022.

CONTINGENT LIABILITIES

As of 31 December 2023, the Group had no material contingent liabilities.

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

As of 31 December 2023, our capital commitments mainly consisted of plant, machinery and buildings amounting to RMB490.2 million in total. The Company recorded capital expenditures of RMB229.6 million for the year ended 31 December 2023, which were primarily used for construction of new plants and purchase of production line equipment.

RISK MANAGEMENT

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures arise from currencies other than the units' functional currencies. As the Board considered foreign currency exposure to be insignificant to the Group, it did not adopt financial instruments such as forward exchange rate 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 liquidity risk, our Group monitors and maintains a level of cash and cash equivalents which are deemed adequate by the management of the Group to finance our operations and mitigate the effects of fluctuations in cash flows.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of 31 December 2023, the Group had 1,164 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 31 December 2023:

Function	Number of Employees	% of Total
Manufacturing	393	33.8
Research and development	165	14.2
Sales and marketing	390	33.5
General and administration	216	18.5
Total	1,164	100.0

Our success depends on our ability to attract, retain and motivate qualified personnel. We recruit employees through on-campus recruitment and open recruitment to seek talents with an education background in relevant subjects or working experiences in relevant industries for our research and development, sales, management and operation teams. We evaluate each candidate based on his/her 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 pre-employment training is provided to our new employees and internal transfer employees, and continuing technical training to our employees on a regular basis. We also provide necessary training to employees who are responsible for quality control to ensure that they are competent for their work.

In December 2021, the Company adopted a restricted share unit (the “**RSU**”) scheme (the “**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 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 of the date of this results announcement. Prior to the Company’s listing on the Stock Exchange, 83 RSU Scheme participants had been granted RSUs under the RSU Scheme involving a total of 19,000,000 underlying shares.

On 17 August 2023, the 2023 share option scheme (the “**2023 Share Option Scheme**”) and the 2023 share award scheme (the “**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 may be issued 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. The maximum number of shares may be issued 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. On 28 December 2023, the Company granted an aggregate of 20,000,000 options to 128 eligible participants pursuant to the 2023 Share Option Scheme to subscribe for ordinary shares of US\$0.00001 each in the share capital of the Company. For details, please refer to the announcement of the Company published on the Stock Exchange on 28 December 2023.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY’S LISTED SECURITIES

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the Corporate Governance Code (“**Corporate Governance Code**”) contained in Appendix C1 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 year ended 31 December 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 of directors 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 of directors 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 its establishment and his extensive experience, the Company considers that having Mr. YAN Jianya acting as both the 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 its business development and prospects that Mr. YAN Jianya continues to act as both the chairman of the Board and chief executive officer, and therefore it is currently not proposed to separate the functions of chairman of the Board and chief executive officer.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors' securities transactions of the Company. Having made specific enquiry to all Directors, all Directors confirmed that they have fully complied with all relevant requirements set out in the Model Code during the Reporting Period and as of the date of this results announcement.

PROCEEDS FROM THE GLOBAL OFFERING

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

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

During the Reporting Period and up to the date of this results announcement, there is no change to the intended use of the net proceeds disclosed above.

As of 31 December 2023, the use of net proceeds by the Group is set out below:

Purpose	% of use of proceeds raised	Net proceeds (HK\$ million)	Unutilized	Utilized	Accumulative	Unutilized	Expected timetable for full utilization of remaining net proceeds
			amount as at 1 January 2023 (HK\$ million)	amount in 2023 (HK\$ million)	Utilized amount as at 31 December 2023 (HK\$ million)	amount as at 31 December 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	43.1	43.5	19.6	31 December 2027
Expansion of manufacturing capacity with respect to our product portfolios and bioactive ingredients	28%	160.6	149.0	109.3	120.9	39.7	31 December 2027
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	192.9	195.7	68.2	31 December 2027
Enhancement of our operation and information systems	5%	28.7	28.7	5.5	5.5	23.2	31 December 2027
Working capital and general corporate uses	10%	57.4	55.5	32.9	34.8	22.6	31 December 2027
Total	100%	573.7	557.0	383.6	400.3	173.4	

FINAL DIVIDENDS AND SPECIAL DIVIDENDS

The Board has resolved to recommend the distribution of final dividends of RMB0.44 (tax inclusive) per share and special dividends of RMB0.45 (tax inclusive) per share for the year ended 31 December 2023, subject to approval by the shareholders at the annual general meeting. The date for distribution of dividends is expected to be on or around 5 July 2024. The Group is not aware of any arrangement under which any shareholder has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on 13 June 2024. To determine the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 7 June 2024 to 13 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 6 June 2024. The proposed final dividends and special dividends are subject to the approval of the shareholders at the forthcoming annual general meeting. The record date for entitlement to the proposed final dividends and special dividends is 21 June 2024. For determining the entitlement to the proposed final dividends and special dividends, the register of members of the Company will be closed from 19 June 2024 to 21 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividends and special dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 18 June 2024.

SCOPE OF WORK OF THE AUDITOR

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

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

AUDIT COMMITTEE

The Company's Audit Committee is comprised of Ms. Wong Sze Wing (chairperson), Mr. Huang Jin and Mr. Shan Wenhua, all of whom are independent non-executive Directors. The Company's Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2023.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.xajuzi.com). The annual report of the Company for the year ended 31 December 2023 will be published on the above websites of the Stock Exchange and the Company, and will be dispatched to shareholders of the Company in due course.

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

Hong Kong, Monday, 25 March 2024

As of the date of this announcement, the Board comprises Mr. YAN Jianya, Ms. YE Juan, Ms. FANG Juan, Ms. ZHANG Huijuan and Ms. YAN Yubo as executive Directors, and Mr. HUANG Jin, Mr. SHAN Wenhua and Ms. WONG Sze Wing as independent non-executive Directors.